

Directors' Report



The Members
HDB Financial Services Limited

Your Directors have pleasure in presenting the Second Annual Report on the business and operations of your Company together with the Audited Accounts for the Financial Year i.e. 1st April, 2008 to 31st March 2009.

Financial Performance

(Rs. In Lakhs)

Particulars	2008-09	2007-08 (June -07 to March-08)
Total Income	2354.35	48.22
Total Expenditure	3133.40	404.85
Profit/(Loss) before Depreciation & Tax	(779.06)	(356.63)
Less: Depreciation	139.97	2.71
Profit before Tax	(919.02)	(359.34)
Provision for Taxation	9.25	0.33
Profit / (Loss) after Taxation	(928.27)	(359.67)

The Company has posted total income of Rs. 2354.35 lakhs in the year 2008-09 as against Rs. 48.22 lakhs in 2007-08 and net loss of Rs.928.27 lakhs during the second financial year ended 31st March, 2009 as against Rs. 359.67 lakhs in 2007-08.

Dividend

In view of the loss incurred in the period under review, your directors do not recommend any dividend.

Operations

During the year under review disbursements amounted to Rs 151 crores. The company expanded its distribution network to 25 cities. The company expanded its product portfolio to Personal Loans, Loans against Property, Auto refinance Loans and Loans against securities.

To service the Lending business, the company has its Data center hosted in Bangalore and a full-fledged central processing unit in Hyderabad.

The company also expanded its services business during the year. The company has Six fully operational call centers across the country with a capacity of 990 seats. The company also tied up with HDFC Standard Life Insurance Company to distribute Life insurance through a corporate agency arrangement.

Fixed Deposits

The Company is a non deposit taking company (NBFC-ND-SI). The Company had not accepted any Fixed Deposit during the period under review.

Increase in paid up Share Capital

During the period under review, the Company has allotted 65000 equity shares.

Credit Rating

The Credit Analysis & Research Limited (CARE) had assigned 'CARE AA+ (Double A Plus)' rating to the bank loan borrowing programme of the Company aggregating to Rs.160 crores.

Directors' Report



Statutory Disclosures

1. The information required under Section 217(2A) of the Companies Act, 1956 ("the Act") and the rules made there under are given in the Annexure I appended hereto and forms part of this report.
2. The provisions of Section 217(1)(e) of the Act relating to conservation of energy and technology absorption do not apply to your Company as it is not a manufacturing company.
3. The Company had no foreign exchange inflow and outgo for the period under review.

RBI Guidelines

The Company has complied with all the applicable regulations of the Reserve Bank of India.

Capital Adequacy

The Company's capital adequacy ratio was at 57% as against the minimum regulatory requirement of 12% for non-deposit accepting NBFCs.

Human Resources

People are a key element of your Company's strategy to drive growth and organization competitiveness. The company focused on talent acquisition during the year in line with its business plans. The company lays strong emphasis on induction training as well as refresher programs for its frontline staff. As on date, the Company is having total strength of 1796 employees. Your Directors wish to place on record their appreciation of the contribution made by the employees at all levels.

Directors Responsibility Statement

The Board of Directors hereby state that:

1. In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

Directors

The Board at its meeting held on 13th January, 2009 appointed Mr. Kaizad Bharucha as an Additional Director of the Company. As per the provisions of Section 260 of the Act, Mr. Bharucha will hold office till the conclusion of ensuing Annual General Meeting of the Company. The Company has received notices in writing under Section 257 of the Act, proposing candidatures of Mr. Bharucha for the office of Director of the Company.

Mr. Vinod Yennemadi will retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Auditors

M/s. Haribhakti & Co., Chartered Accountants were appointed as Statutory Auditors of the Company who hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Your Directors recommend their re-appointment.

Employees Stock Option Scheme (ESOS)

On recommendation of Compensation Committee of your company, the Company has granted 265,000 stock options

Directors' Report



to eligible employees of the Company during the year under review. A detailed note on this subject is placed in the notes forming part of accounts at point no.15.

Management Discussions and Analysis Report

A detailed discussion on the Company's operations is presented in Management Discussions and Analysis Report which forms part of this Annual Report.

Corporate Governance Report

A report on Corporate Governance is set in the Annexure forming part of this report.

Acknowledgement

The Directors of the Company wish to convey their gratitude to the Company's Auditors, Customers, Bankers and Shareholders for their valued support and look forward to their continued contribution in the progress of the Company.

By order of the Board

Vinod Yennemadi
Chairman

April 15, 2009

Regd. Office:
HDFC Bank House, Final Plot No. 287,
Ellisbridge Township Scheme No. 3,
Navrangpura, Ahmedabad - 380 009.

Macro Economic Environment

The global economic outlook deteriorated sharply over the last year or so with all the advanced economies – the United States, Europe and Japan - having firmly gone into recession.

India too has been impacted by the crisis. There is clear evidence of economic activity slowing down i.e. demand for the goods dampened, GDP growth has declined, the services sector is slowing, exports have declined, the demand for bank credit is slackening despite comfortable liquidity in the system etc. Despite the adverse situation prevailing in the world, the Indian economy has sustained and looks to come out of the situation faster than the world. India's financial markets have shown admirable resilience notwithstanding the severity and multiplicity of global events, as India's financial system is healthy, well capitalized and prudently regulated. As a large majority of Indians do not participate in equity and asset market, the negative impact of the wealth loss effect plaguing the advanced economies should be quite muted. India's consumption demand is expected to hold up well.

Industry Structure and Developments

The current situation prevailing in India and world has its effect on Indian Financial Sector and Non-Banking Financial Companies in particular. NBFCs which depended heavily on money markets for funding requirements were impacted due to freezing of credit facilities. However, various measures taken by the Government should ease the financing constraints of NBFCs.

Opportunities

Domestic consumption continues to drive growth. India is expected to be least impacted due to the global slowdown due to its diverse economic base and favourable demographics. The Company has focused on direct to consumer lending, innovative structuring of credit solutions, strong processes and prudent risk management. The company follows a micro market approach to geographic segmentation of markets.

The company plans to expand its product portfolio by adding General Insurance services and Investment / Savings Products such as sale of Mutual funds to its portfolio.

Threats

Irrational pricing, lenient credit norms in the past have led to increase in Non-performing assets across the retail lending space.

The markets will continue to mature leading to rising expectation from consumers and your Company's growth will depend on its ability to differentiate its products / services to compete effectively.

Growth of the company's asset book, quality of assets and ability to raise funds depends significantly on the economy. Unfavourable events in the Indian economy can affect consumer sentiment. Changes in Government policy, regulatory framework could impact the company's operations.

Operations

Products and Services

Retail lending, besides individuals, also addresses requirements of businesses whose borrowing needs are akin to individual borrowers. Thus, requirements of small and micro enterprises that are too small to be serviced by corporate Lending Institutions are also well serviced by Retail Lenders.

The segments being addressed are typically underserved by the larger commercial banks thus creating a profitable niche for the Company to address.

The Company has launched the following products and services:

- Loans – The Company offers a range of Loans in the Unsecured and Secured Loans space that fulfill the financial needs of its target Segment.
- Insurance Services – The Company is a corporate agent for HDFC Standard Life Insurance Company Limited. The Company sells Insurance bundled with its Loan as a value-add as well as a standalone product.

Management Discussions & Analysis Report



- Collection Services – The Company has a contract with HDFC Bank for collection services. The Company has set up call centres across the country with a capacity of over 990 seats to meet current business requirements.

Infrastructure

The Company has established branches across various locations, thus creating the right distribution network to sell company's Products and Services. The Company has six collection centre and has established Data Centre at Bangalore and centralized operations at Hyderabad.

Internal Control Systems

In the opinion of the Management, the Company has adequate systems and procedures to provide assurance of recording transactions in all material respects.

The Company has appointed M/s K S Aiyar & Co., Chartered Accountants, to conduct an internal audit and such audit reports envisages all areas and the reports were placed before the Audit Committee of the Board.

Outlook

Despite the global economic uncertainties, India continues to be a strong growth story due to favorable demographics, Innovative culture and strong Institutions.

The markets will continue to grow and mature leading to differentiation of products and services. Each financial intermediary will have to find his niche in order to add value to consumers. The company continues to be optimistic in its outlook for the year 2009-10.

Corporate Governance Report

1. Company's philosophy on code of Governance

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders and is guided by a strong emphasis on transparency, accountability and integrity.

2. Board of Directors

i. Composition and size of the Board

The present strength of Board of Directors is Five Directors. The Board comprises of Non-Executive Directors. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions.

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

ii. Board Meetings & Attendance

Five Board meetings were held during the year 2008-09. The dates on which meetings were held and Directors attendance is given as below:

Board meeting date	Mr. Vinod Yennemadi	Mr. G. Subramanian	Mr. Pralay Mondal	Mr. Aseem Dhru	Mr. Kaizad Bharucha (w.e.f. 13/01/2009)
12/04/2008	Y	Y	Y	Y	-
20/06/2008	Y	Y	Y	Y	-
01/07/2008	Y	Y	Y	Y	-
18/11/2008	Y	Y	Y	Y	-
13/01/2009	Y	Y	Y	Y	Y

No sitting fees were paid to any of the Directors of the Company.

iii. Directors with materially significant related party transactions, pecuniary or business relationship with the Company.

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interest of the Company at large.

iv. Details of Directors appointment/re-appointment

As per the Companies Act, 1956 and the Articles of Association of the Company, two third of the Directors are liable to retire by rotation. One third of these retiring Directors are required to retire every year by rotation and if eligible, these Directors qualify for reappointment.

At present, the Board of Directors of the Company consists of following directors:

Sr. No.	Name of Director	Date of appointment at General Meeting
1	Mr. Vinod Yennemadi	31/12/2007
2	Mr. G. Subramanian	25/06/2008
3	Mr. Pralay Mondal	25/06/2008
4	Mr. Aseem Dhru	25/06/2008
5	Mr. Kaizad Bharucha	Forthcoming AGM

Two-third i.e. Three (3) out of the Five (5) rotational Director of the Company shall be persons whose period of office is liable to determination by retirement by rotation. Out of Three (3) Directors as mentioned above, one-third i.e. One (1) Director will retire at the ensuing Annual General Meeting of the Company. Since, Mr. Vinod Yennemadi was longest in office, he is liable to retire at the ensuing Annual General Meeting of the Company and is eligible to be reappointed.

The Board at its meeting held on 13th January, 2009 appointed Mr. Kaizad Bharucha as an Additional Director of the Company. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Bharucha will hold office till the conclusion of ensuing Annual General Meeting of the Company. The Company has received notices in writing under Section 257 of the Act, proposing candidatures of Mr. Bharucha for the office of Director of the Company.

Corporate Governance Report

3. Committees of the Board

The Brief particulars of various committees of the Board, name of members, attendance and scope of the Committees are given as below:

List of Audit Committee Members

Sr. No.	Name of Director	Position	Number of meetings attended	Scope
1	Mr. Vinod Yennemadi	Chairman	2 out of 3	- review and approve the Company's audit policies, procedures and techniques, and monitor the implementation thereof; - review the state and effectiveness of the financial reporting systems and control procedures relating to all significant operational risks within the Company; - monitor compliance with RBI guidelines/ instructions as may be applicable to NBFC-ND.
2	Mr. Pralay Mondal	Member	3 out of 3	
3	Mr. G. Subramanian	Member	3 out of 3	

List of Risk Committee Members

Sr. No.	Name of Director	Position	Number of meetings attended	Scope
1	Mr. Vinod Yennemadi	Chairman	1 out of 1	- approve and monitor the Company's risk management policies and procedures; - approve and review the dealing authorities / limits for the Company's various operations keeping in view the Company's policies and regulatory requirements; and - review the Company's risk management system and risk reporting procedures.
2	Mr. Pralay Mondal	Member	1 out of 1	
3	Mr. Aseem Dhru (up to 13/01/2009)	Member	1 out of 1	
4	Mr. Kaizad Bharucha (w.e.f. 13/01/2009)	Member	-	

List of Nomination Committee Members

Sr. No.	Name of Director	Position	Number of meetings attended	Scope
1	Mr. Vinod Yennemadi	Chairman	1 out of 1	adopt the criteria for identifying 'Fit & Proper' persons for recommending their appointment as independent / non-executive directors on such as competence of the candidates Board as assessed in terms of formal qualification, previous experience and track record and integrity.
2	Mr. Pralay Mondal	Member	1 out of 1	
3	Mr. C.N. Ram (up to 12/04/2008)	Member	-	
4	Mr. G. Subramanian (w.e.f.13/01/2009)	Member	-	

Corporate Governance Report

List of Compensation Committee Members

Sr. No.	Name of Director	Position	Number of meetings attended	Scope
1	Mr. Vinod Yennemadi	Chairman	1 out of 1	- review the overall compensation structure and policies with a view to retain and motivate the company's employees. - review the company's positioning in the industry in relation to compensation levels, through compensation surveys etc. - consider giving stock options to the employees in the form of equity shares of the company. - consider any other compensation related issues or matters relating to the company's employees.
2	Mr. Pralay Mondal	Member	1 out of 1	
3	Mr. C.N. Ram (up to 12/04/2008)	Member	-	
4	Mr. Aseem Dhru (w.e.f.13/01/2009)	Member	-	

4. General Body Meetings (Since Incorporation)

Meeting	Date & Time	Venue	Resolutions passed
Statutory Meeting	3:00 p.m. December 4, 2007	5 th Floor, HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013.	Nil
EGM	4:30 p.m. December 31, 2007	5 th Floor, HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013.	i. Appointment of Mr. Vinod Yennemadi as Director ii. Appointment of Mr. G. Subramanian as Director iii. Appointment of Mr. C.N. Ram as Director iv. Appointment of Mr. Vinod Yennemadi as part-time Chairman for a period of 5 years. v. Issue of shares under Employee Stock Option Scheme (ESOS).
AGM	3.00 p.m. June 25, 2008	HDFC Bank House, 3rd Floor, Final Plot No.287, Ellisbridge Township Scheme No.3, Navrangpura, Ahmedabad-380009.	i. Audited Results as on 31/03/2008 ii. Appointment of M/s. Haribhakti & Co., Chartered Accountants as Statutory Auditor iii. Reappointment of Mr. G.Subramanian as Director iv. Appointment of Mr. Pralay Mondal as Director v. Appointment of Mr. Aseem Dhru as Director
EGM	4.00 p.m. July 25, 2008	5 th Floor, HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013.	i. Amendment to the Object clause of Memorandum of Association ii. Commencement of new business
EGM	11.00 a.m. February 9, 2009	5 th Floor, HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013.	i. Borrowing in excess of Paid-up capital and free reserves ii. Appointment of Mr. Haren Parekh as Manager

5. Shareholding pattern as at 31.03.2009

Name of Shareholders	Shares held	Percentage
HDFC Bank Ltd	10,00,00,000	95.23
Others	50,07,000	4.77
Total (Issued & Paid-up Shares)	10,50,07,000	100

Auditors' Report



To the members of HDB Financial Services Limited

1. We have audited the attached Balance Sheet of **HDB Financial Services Limited** as at 31st March 2009 and also the Profit and Loss Account and the cash flow statement for the period ended on that date, 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. Those 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 (Auditors' Report) Order, 2003, as amended, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act 1956, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of the written representations received from the directors of the Company as on 31st March, 2009, and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the accounting policies and notes thereon and attached thereto 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 31st March, 2009 and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date.
 - (iii) in the case of cash flow statement, of the cash flows for the period ended on that date.

For **Haribhakti & Co.,**
Chartered Accountants

Place: Mumbai
Date: April 15, 2009

Manoj Daga
Partner
Membership No.48523

Auditors' Report



The annexure referred to in Paragraph 4 of the Auditors' Report of even date to the members of **HDB Financial Services Limited** (the Company) on the accounts for the period ended 31st March 2009. We report that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets held for own use.
2. We have been informed that, the company has a regular programme of verification of all the fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its fixed assets and no material discrepancies were noticed on such verification as compared to book records.
3. Based on the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the Company has not disposed off substantial part of its fixed assets during the year.
4. As the Company does not hold any item of inventory defined in AS 2, the relevant clauses are not applicable.
5. According to the information and explanations provided to us by the management, the Company has not granted and/or taken any loans, secured or unsecured to/from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. Further, on the basis of our examination, and according to the information and explanations given to us, we have not observed any instances of major weaknesses in the aforesaid internal control system.
7.
 - a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b. According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 are not exceeding the value of rupees five lakhs in respect of any party during the year.
8. According to the information and explanations provided to us, the Company has not accepted any deposit from the "public" attracting the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 or any other relevant provisions and the rules framed there under.
9. The company is registered under Non Banking Financial (Non–Deposit taking or Holding) company, holding certificate of registration No. 01-00477 dated 31st December, 2007 issued by Reserve Bank of India u/s. 45-IA of the Reserve Bank of India Act, 1934. According to the information and explanations provided to us,
 - a. The Board of Directors has passed a resolution for the non-acceptance of any public deposits.
 - b. The Company has not accepted any deposit from the "public" attracting the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 or any other relevant provisions and the rules framed there under.
 - c. The Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of Non Banking Financial [Non Deposit Accepting or Holding Companies Prudential Norms (Reserve Bank) Directions, 2008]
 - d. The capital adequacy ratio is in compliance with the minimum CRAR prescribed by Reserve Bank of India.
10. In our opinion, the company has an internal audit system commensurate with the size and nature of business.
11. According to the books and records of the Company as produced and examined by us and according to the information and explanations provided to us, the Company is regular in depositing undisputed statutory dues with the appropriate authorities.

Auditors' Report



12. According to the information and explanations provided to us, no undisputed amounts payable in respect Income Tax, Cess and any other statutory dues were outstanding as at 31st March, 2009 for a period of more than six months from the date they became payable.
13. According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
14. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a bank.
15. We are of the opinion that the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
16. According to the information and explanations provided to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions.
17. In our opinion, the term loans have been applied for the purpose for which they were raised.
18. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used to finance long term investment and no long term funds have been used to finance short term assets.
19. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
20. Based upon the audit procedures performed and the information and explanations provided to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
21. The Clauses viii, x, xiii, xiv, xix, xx of the Order are not applicable to the Company and hence the same are not reported upon.

**For Haribhakti & Co.,
Chartered Accountants**

Place: Mumbai
Date: April 15, 2009

Manoj Daga
Partner
Membership No.48523

Balance Sheet

as at March 31, 2009



	Schedule	As at March 31, 2009 Amount in Rs.	As at March 31, 2009 Amount in Rs.	As at March 31, 2008 Amount in Rs.	As at March 31, 2008 Amount in Rs.
Sources of Funds :					
Shareholders Fund					
Share Capital	1		1,050,070,000		1,049,420,000
Loan Fund					
Secured Loans	2		900,000,000		-
Total Funds			1,950,070,000		1,049,420,000
Application of Funds :					
Fixed Assets	3				
Gross Block		99,550,843		28,768,860	
Less: Accumulated Depreciation		14,268,652		271,798	
Net Block			85,282,191		28,497,062
Capital Advances			1,445,709		-
Current Assets, Loans and Advances					
Interest Accrued but not Due		126,028		2,533,433	
Receivables under Financing Activity	4	1,443,255,027		-	
Cash & Bank Balances	5	350,055,663		979,888,538	
Sundry Debtors	6	48,048,180		-	
Loans & Advances	7	30,547,180		27,176,117	
		1,872,032,078		1,009,598,088	
Less: Current Liabilities and Provisions					
Current Liabilities	8	133,111,200		24,232,136	
Provisions	9	4,373,275		410,150	
		137,484,475		24,642,286	
Net Current Asset			1,734,547,603		984,955,802
Profit & Loss A/c			128,794,497		35,967,136
Total Assets (Net)			1,950,070,000		1,049,420,000
Accounting Policies and Notes to Accounts	11				

The Schedules referred to above and Notes to Accounts form an integral part of the Balance sheet

As per our report of even date

For Haribhakti & Co.
Chartered Accountants

Manoj Daga
Partner
Membership No.48523

Place: Mumbai
April 15, 2009

For and on behalf of the Board.

Vinod Yennemadi
Chairman

Pralay Mondal
Director

Haren Parekh
Finance Controller

Profit and Loss Account

for the period ended March 31, 2009



	Schedule	For the year ended March 31, 2009 Amount in Rs.	For the year ended March 31, 2009 Amount in Rs.	For the period ended March 31, 2008 Amount in Rs.	For the period ended March 31, 2008 Amount in Rs.
Income					
Interest Income		116,406,313		4,822,976	
Other Financial Charges		31,773,917		-	
Fee Based Income		85,749,785		-	
Profit on Sale of Investments		1,505,117			
Total Income			235,435,132		4,822,976
Expenditure					
Financial Charges		7,894,370		-	
Administrative & Other expenses	10	305,375,705		19,714,732	
Depreciation		13,996,854		271,798	
Provisions & write offs		70,564		-	
Preliminary expense W/off		-		20,770,582	
Total Expenditure			327,337,493		40,757,112
Profit/(Loss) Before tax			(91,902,361)		(35,934,136)
<u>Provision for taxation</u>					
Fringe Benefit Tax			925,000		33,000
Profit/(Loss) After Taxation		-	(92,827,361)	-	(35,967,136)
Balance B/F from Previous period			(35,967,136)	-	0
Balance Carried to Balance Sheet			(128,794,497)	-	(35,967,136)
Earning Per Share (Rs.)					
Basic Earning per Share (annualized) (Rs.)			(0.88)		(6.42)
Diluted Earning per Share (annualized) (Rs.)			(0.88)		(6.42)
Face Value Per Share (Rs.)			10		10
Accounting Policies and Notes to Accounts	11				

The Schedules referred to above and Notes to Accounts form an integral part of the Profit and Loss Account

As per our report of even date

For Haribhakti & Co.
Chartered Accountants

Manoj Daga
Partner
Membership No.48523

Place: Mumbai
April 15, 2009

For and on behalf of the Board.

Vinod Yennemadi
Chairman

Pralay Mondal
Director

Haren Parekh
Finance Controller

Schedules to the Accounts as at March 31, 2009

Schedule	As at March 31, 2009 Amount in Rs.	As at March 31, 2009 Amount in Rs.	As at March 31, 2008 Amount in Rs.	As at March 31, 2008 Amount in Rs.
Schedule - 1				
Share capital				
Authorised				
1,000,000,000 Equity Shares of Rs.10/- each		10,000,000,000		10,000,000,000
Issued, Subscribed and Paid up				
105,007,000 Equity Shares of Rs.10/- each fully paid up		1,050,070,000		1,049,420,000
(Of the above 100,000,000 Fully paid shares are held by HDFC Bank Ltd. "The Holding Company")				
Schedule - 2				
Secured Loan (Secured against Receivables of the company)				
Term Loan from Banks	900,000,000	900,000,000	-	-
(Repayable during the next year 30 crores, Previous year NIL)				

Schedule - 3

Fixed Asset

(Amount In Rs.)

Particulars	Gross Block				Depreciation				Net Block	
	As at April 1, 2008	Adjust- ment	Additions for the year	As at March 31, 2009	As at April 1, 2008	Adjust- ment	Additions for the year	As at March 31, 2009	As at March 31 2009	As at March 31 2008
Software	11,854,382	9,888	11,469,447	23,333,717	146,227	7	4,283,970	4,430,204	18,903,513	11,718,036
Computers & Hardware	16,591,828	-	1,316,140	17,907,968	117,383	-	2,832,559	2,949,942	14,958,026	16,474,445
Furniture & Fixtures	-	-	20,411,251	20,411,251	-	-	3,969,017	3,969,017	16,442,234	-
Leasehold Improvements	93,338	-	22,081,791	22,175,129	2,098	-	1,423,946	1,426,044	20,749,085	91,240
Office Equipment	219,424	-	15,503,354	15,722,778	6,083	-	1,487,362	1,493,445	14,229,333	213,341
Total	28,758,972	9,888	70,781,983	99,550,843	271,791	7	13,996,854	14,268,652	85,282,191	28,497,062

There is no Sale of fixed asset during the current year and previous year

Schedules to the Accounts as at March 31, 2009

Schedule	As at March 31, 2009 Amount in Rs.	As at March 31, 2009 Amount in Rs.	As at March 31, 2008 Amount in Rs.	As at March 31, 2008 Amount in Rs.
Schedule - 4				
Receivables under Financing Activity				
Secured				
Loans against Immovable Property	615,434,975	622,395,205	-	-
Other Secured Loans	6,960,230		-	
Unsecured				
Loans	820,957,831	820,859,822	-	-
Less: Provisions against doubtful loans	(98,009)		-	
Total		1,443,255,027		-
Schedule - 5				
Cash and Balances with Scheduled Bank				
In Current Account	-		38,293,691	979,888,538
Cash in Hand	55,663		-	
In Fixed Deposits	350,000,000	350,055,663	941,594,847	
Schedule - 6				
Sundry Debtors (Considered Good)				
More than Six Months	-		-	-
Others	48,048,180	48,048,180	-	
Schedule - 7				
Loans & Advances (Unsecured Considered good)				
Deposits	17,381,879		26,000,000	27,176,117
Advances Recoverable in Cash or in kind	2,437,273		164,306	
Advance payment against taxes	10,728,028	30,547,180	1,011,811	
Schedule - 8				
Current Liabilities				
In Current Account with Bank (overdrawn balances)	79,589,148		-	24,232,136
Sundry Creditors	49,697,631		20,558,025	
Other liabilities	3,824,421	133,111,200	3,674,111	
Schedule - 9				
Provisions				
Provisions for Fringe Benefit Tax	958,000		33,000	410,150
Provisions for Gratuity	641,433		47,574	
Provisions for Compensated Absences	2,773,842	4,373,275	329,576	

Schedules to the Accounts as at March 31, 2009

Schedule - 10	For the year ended March 31, 2009 Amount in Rs.	For the year ended March 31, 2008 Amount in Rs.
Administrative and other expenses		
1) Payments to & provision for employees		
Salaries	170,430,734	13,348,328
Managerial Remuneration	851,905	-
Staff welfare & Employee benefit expenses	4,781,287	345,223
Contribution to Employee benefit funds & other related expenses (Refer note on Managerial Remuneration)	13,030,487	164,895
Sub Total	189,094,413	13,858,446
2) Other expenses		
Rent	33,870,246	2,728,939
Rates & Taxes	79,247	3,550
Legal & Professional Fees	7,688,987	900,000
Travelling & Conveyance	4,609,646	413,137
Telephone	7,010,200	73,557
Printing & Stationary	2,599,656	13,177
Postage & Courier Charges	733,908	510
Equipment Hire Charges	4,887,063	887,279
Recruitment Expenses	3,533,312	26,021
Computer Expenses	23,614,856	3,933
Lease Car Rental & Petrol Expenses	1,881,797	160,371
Power & Fuel	5,436,842	-
Office Expenses	4,814,416	386,852
Repairs & Maintainance	1,653,441	-
Sales Promotion Expense	1,607,959	-
Stamp Duty	1,150,455	-
Credit Report Charges	7,831,434	-
Audit Fees	350,000	112,360
Insurance	93,792	-
Commision & Brokerage	2,834,035	146,600
Sub Total	116,281,292	5,856,286
Total (1+2)	305,375,705	19,714,732

Schedules to the Accounts as at March 31, 2009



Schedule - 11

Notes on Accounts

1. Overview:

HDB Financial Services Ltd. ("the company"), incorporated in Ahmedabad, India is a non deposit taking NBFC engaged in the business of financing. The company is governed by the Companies Act, 1956 ("the Act").

2. Basis of preparation:

The financial statements have been prepared in accordance with statutory requirements and to comply with the accounting standards notified by Companies Accounting Standards Rules, 2006 and relevant provisions of Act. The accounting and reporting policies of HDB Financial Services Ltd used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the guidelines issued by Reserve Bank of India ("RBI") from time to time and practices generally prevalent in the industry in India. The company follows the accrual method of accounting, except where otherwise stated and the historical cost convention.

3. Use of Estimates:

The preparation of financial statements 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 financial statements and the reported income and expense for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

4. Significant Accounting Policies:

i. Advances

Advances are classified as performing and non-performing based on the Reserve Bank of India guidelines. Interest on non-performing advances is transferred to an interest in suspense account and not recognized in the profit and loss account until received. Advances are net of provision on debts and interest in suspense.

ii. Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit/ functioning capability from/of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are:

- Improvements to lease hold premises are charged off over the primary period of lease.
- Office equipment at 16.21% per annum.
- Computers at 16.21% per annum.
- Software and System development expenditure at 20.00% per annum.
- Items costing less than Rs 5,000/- are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.

For assets purchased and sold during the year, depreciation is being provided on pro rata basis by the Company.

iii. Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the profit and loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

Schedules to the Accounts as at March 31, 2009



iv. Investments

Investments which are long term in nature are stated at cost. Provisions are made only in case of permanent diminution in the value of Investment.

Current investments are valued at lower of cost and Net Realisable Value.

v. Employee Benefits

a) Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, on death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The Company accounts for the liability for future gratuity benefits based on an independent external actuarial valuation carried out annually as at the balance sheet date.

b) Provident fund

In accordance with law, all employees of the Company are entitled to receive benefits under the provident fund. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Company contributes an amount (employee's basic salary upto a maximum level of Rs 6,500/- per month) to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Company has no liability for future provident fund benefits other than its annual contribution.

c) Compensated Absences

The Company does not have a policy of encashing unavailed leave for its employees. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits. The provision is based on an independent external actuarial valuation at the balance sheet date.

vi. Lease accounting

Lease payments for assets taken on operating lease are recognized in the profit and loss account over the lease term in accordance with the (AS) 19, Leases, issued by the Institute of Chartered Accountants of India.

vii. Income Recognition

- Interest income is recognized in the profit or loss account on an accrual basis. Income including interest / discount or any other charges on Non-Performing Assets (NPA) is recognized only when it is realized. Any such income recognized before the asset became non-performing and remaining unrealized is reversed.
- Fee based income and other financial charges are recognized on an accrual basis.

viii. Income tax

Income tax comprises the current tax provision, the net change in the deferred tax asset or liability in the year and fringe benefit tax. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets are recognized only to the extent that there is reasonable / virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the timing differences are expected to be received, settled or reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the income statement in the period of enactment of the change.

Schedules to the Accounts as at March 31, 2009

ix. Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with (AS) 20, Earnings Per Share issued, by the Institute of Chartered Accountants of India. Basic earnings per equity share have been computed by dividing net Profit/Loss by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period except where the results are anti dilutive.

x. Accounting for Provisions, Contingent Liabilities and Contingent Assets

As per (AS) 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Company recognises provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No provision is recognized for –

- a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- b) Any present obligation that arises from past events but is not recognised because –
 - 1 It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - 2 A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

xi. Preliminary Expenses/Share issue expenses:

Expenses incurred in connection with Company incorporation are classified as Preliminary Expenses and are charged off in the year in which it is incurred. Share issue expenses are also grouped under this head.

xii. Interest on borrowings:

Interest on borrowings is recognized in profit and loss account on an accrual basis.

5. Capital Adequacy Ratio

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

Particulars	2008-09	2007-08
CRAR%	57.68%	NA
CRAR -Tier I Capital %	57.68%	NA
CRAR-Tier II Capital %	Nil	NA

Schedules to the Accounts as at March 31, 2009



6. Exposure to Real Estate Sector

(Rs. In lakhs)

Categories	2008-09	2007-08
A. Direct Exposure		
i. Residential Mortgages -(Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs.15 lakh may be shown separately)	3513	-
ii. Commercial Real Estate -(Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)	2643	-
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures – a) Residential b) Commercial Real Estate	-	-
B. Indirect Exposure (Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

7. Maturity pattern of certain items of assets and liabilities

(Rs. In Lakhs)

	1 day to 30/31 days one month	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Assets									
Loans and Advances	182	213	217	677	1469	6689	1521	3262	14230
Liabilities									
Borrowings	333	416	750	-	1501	6000	-	-	9000

8. Segment Reporting

Summary of opening segments of the Company is given below:

(Rs. In lakhs)

Particulars	2008-09	2007-08
i. Segment Revenue		
Lending business	995.67	-
Fee Based Income	857.49	-
Unallocated	501.19	48.23
Total	2354.35	48.23
Less: Inter Segment Revenue	-	-
Income from Operations	2354.35	48.23
ii. Segment Results		
Lending business	(942.67)	-
Fee Based Income	133.48	-
Unallocated	(109.83)	(359.34)
Total profit before tax	(919.02)	(359.34)
Income Tax expenses	(9.25)	(0.33)
Net Profit	(928.27)	(359.67)

Schedules to the Accounts as at March 31, 2009

iii.	Capital Employed		
	Segment assets		
	Lending business	18508.12	-
	Fee based Income	877.09	-
	Unallocated	202.39	10095.98
	Total Assets	19587.60	10095.98
	Segment Liabilities		
	Lending business	9233.60	-
	Fee based Income	94.85	-
	Unallocated	1046.39	246.42
	Total Liabilities	10374.84	246.42
	Net Segment assets / (liabilities)		
	Lending business	14773.95	-
	Fee based Income	782.24	-
	Unallocated	(6343.44)	9849.56
iv.	Capital Expenditure (including net CWIP)		
	Lending business	304.30	287.69
	Fee based Income	408.85	-
	Unallocated	9.13	-
	Total	722.28	287.69
v.	Depreciation		
	Lending business	86.09	-
	Fee based Income	50.71	-
	Unallocated	3.17	2.72
	Total	139.97	2.72

9. AS – 15 Disclosure

The Company contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Standard Life Insurance Company ("HDFC Standard Life") Limited. HDFC Standard Life has certified the Projected Benefit Obligation for all the Companies covered in the Group. However, since HDFC Standard Life has certified the Fair Value of the Plan Assets for the Group only, the Fair Value of the Plan Assets for the Company has been estimated by the Management and relied upon by the Auditors.

Details of Actuarial Valuation as at March 31, 2009

Particulars	2008-09 Amount in Rs.	2007-08 Amount in Rs.
Benefit Obligation as at April 1, 2008	47,574.00	-
Service Cost	888,546.00	-
Interest Cost	3,806.00	-
Actuarial Losses/ (Gains)	384,832.00	-
Benefits Paid	-	-

Schedules to the Accounts as at March 31, 2009

Benefit Obligation as at March 31, 2009	1324,758.00	-
Fair Value of Plan Assets as at April 1, 2008	-	-
Expected Returns on Plan Assets	27,333.00	-
Employer's Contribution	647,574.00	-
Benefits Paid	-	-
Actuarial Gains/ (Losses)	8,418.00	-
Fair Value of Plan Assets as at March 31, 2009	683,325.00	-
<u>Balance sheet recognition</u>		
Present value of obligation	1324,758.00	-
Fair value of planned asset	(683,325.00)	-
Liability (Asset)	641,433.00	-
Unrecognised past service cost	-	-
Liability (Asset) recognized in the Balance sheet	641,433.00	-
<u>Profit and Loss (Expenses)</u>		
Current Service Cost	888,546.00	-
Past Service cost	-	-
Interest on Obligation	3,806.00	-
Expected Return on Plan Assets	(27,333.00)	-
Net Actuarial Losses/ (Gains) Recognised in the Year	376,414.00	-
Expenses recognised in the Profit and Loss Account	1,241,433.00	-
<u>Actual return on planned assets</u>		
Expected return on planned assets	27,333.00	-
Actuarial gain (Loss) Plan Assets	8,418.00	-
Actual Return On Plan Assets	35,751.00	-
<u>Movement in the net Liability recognised in the Balance Sheet</u>		
Opening net Liability	1,241,433.00	-
Expenses	(600,000.00)	-
Contribution	641,433.00	-
Closing Net Liability		
<u>Assumptions</u>		
Discount Rate	8% p.a.	N.A.
Future Salary Increase (%)		
• General Staff	10%	N.A.
• Others	2%	N.A.
Expected Rate of Return on Plan Assets	8% p.a.	N.A.

Notes:

- The Company has adopted the Accounting Standard (AS-15) revised with effect from April 1, 2008 and hence, the corresponding figures for the previous year have not been furnished.
- The expected return on plan assets is as furnished by HDFC Standard Life.

Schedules to the Accounts as at March 31, 2009



10. Related Party Disclosures

Name of the related Party and Nature of Relationship

Holding Company: HDFC Bank Limited

Enterprise under common control of Holding company: HDFC Securities Limited.

Key Management Person: Vinod Yennemadi

Note: Related party relationships are as identified by the Management and relied upon by the Auditors.

Details of Related Party Transactions for the Year:

Transaction	Related Party Amount in Rs.	2008-09 Amount in Rs.	2007-08
Interest Paid	HDFC Bank Ltd	314,383	-
Interest received on Fixed Deposits	HDFC Bank Ltd	44,509,471	4,761,605
Expenses Reimbursed	HDFC Bank Ltd	596,928	-
Rent paid	HDFC Bank Ltd	18,468,611	2,728,939
Collection Fees Received	HDFC Bank Ltd	85,749,785	-
Term Loan availed and repaid	HDFC Bank Ltd	150,000,000	-
Fixed Deposits	HDFC Bank Ltd	350,000,000	941,594,847
Professional fees	Vinod Yennemadi	1,200,000	900,000

11. Earnings per Share

Particulars	2008-09 Amount in Rs.	2007-08 Amount in Rs.
Net Profit/Loss	(92,827,361)	(35,67,136)
Weighted Average Number of Equity Shares Basic and Diluted	104,987,767	5,605,000
Earnings per Share Basic and Diluted (Rs)	(0.88)	(6.42)
Face Value Per Share (Rs)	10/-	10/-

12. Operating lease

i. Future Lease Rental payments

Not later than one year	48,560,013
Later than one year, but less than three years	88,550,827
More than three years, but less than five years	66,831,069

ii. Lease payments recognized in the Profit and Loss Account Rs.37,429,950 (Previous year Rs. 3,715,491).

iii. General description of leasing arrangement

- Leased Assets: Premises, Computers and Cars.
- Future lease rentals are determined on the basis of agreed terms.
- At the expiry of the lease term, the Company has an option either to return the asset or extend the term by giving notice in writing.

Schedules to the Accounts as at March 31, 2009

13. Managerial Remuneration and Computation of Net Profits under Section 198/349 of the Act.

i. Manager's Remuneration

Particulars	2008-09 Amount in Rs.	2007-08 Amount in Rs.
Salaries and Allowances	697,410	-
Contribution to Provident and other fund	25,212	-
Other benefits	129,283	-

Note:

In computing the Manager Remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits except that in case of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, notional amount as per Income Tax Rules has been added. Actuarial valuation based contribution/ provision with respect to gratuity and provision for leave encashment has not been included as these are for the Company as a whole.

ii. Computation of Net Profits under Section 198/349 of the Companies Act, 1956

Particulars	2008-09 Amount in Rs.	2007-08 Amount in Rs.
Profit before Tax as per Profit and Loss Account	(91,902,361)	(35,934,136)
Add: Depreciation as per Books	13,996,854	271,798
Provision for NPA	70,564	-
Manager's Remuneration	851,905	-
Less: Depreciation as per Sec 350 of the Act	13,996,854	271,798
Profit on Sale of Investments (Net)	1,505,117	-
Adjusted Profit	(92,485,009)	(35,934,136)

The Company depreciates its fixed assets based on estimated useful lives which are lower or equal to the implicit estimated useful lives prescribed by schedule XIV of the Act. Thus, the depreciation charged in the books is higher than that prescribed as the minimum by the Act. Hence, this higher value has been considered as a deduction for the computation of managerial remuneration above.

iii. The total remuneration as stated in 13(i) above are within the maximum permissible limits under the Act.

14. Auditors' Remuneration

Particulars	2008-09 Amount in Rs.	2007-08 Amount in Rs.
Statutory Audit	300,000	84270
Tax Audit	50,000	28090
Total	350,000	112,360

15. Accounting for Employee Share based Payments

The shareholders of the Company approved stock option schemes (viz. ESOS – 1 and ESOS–2) in April, 2008. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Schemes ESOS – 1 and ESOS – 2 provide for the issuance of options at the recommendation of the Compensation Committee of the Board (the "Compensation Committee") at a price of Rs. 10/- per share, being the face value of the share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the Compensation Committee. Such options are exercisable for a period following vesting at the discretion of the Compensation Committee, subject to a maximum of two years from the date of vesting.

Schedules to the Accounts as at March 31, 2009

Method used for accounting for shared based payment plan.

The Company has elected to use intrinsic value to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2009

	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of year	-	-
Granted during the year	265,000	10.00
Exercised during the year	-	-
Forfeited / lapsed during the year	-	-
Options outstanding, end of year	265,000	10.00
Options Exercisable	-	-

Following summarises the information about stock options outstanding as at March 31, 2009

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of unvested options (in years)	Weighted average Exercise Price (Rs.)
ESOS – 1	Rs. 10.00	125,000	3.50	10.00
ESOS – 2	Rs. 10.00	140,000	4.01	10.00

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended March 31, 2009 are:

	As at March 31, 2009 Amount in (Rs.)
Dividend yield	Nil
Expected volatility	Nil
Risk- free interest rate	7.66% to 7.69%
Expected life of the option	1-5 years

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:

	As at March 31, 2009 Amount in (Rs.)
Net Profit/(Loss) (as reported)	(92,827,361)
Stock based compensation expense determined under fair value based method:(pro forma)	(200,153)
Net Profit/(Loss) (pro forma)	(93,027,514)

Schedules to the Accounts as at March 31, 2009

	As at March 31, 2009 Amount in (Rs.)
Basic earnings per share (as reported)	(0.88)
Basic earnings per share (pro forma)	(0.89)
Diluted earnings per share (as reported)	(0.88)
Diluted earnings per share (pro forma)	(0.89)

16. Micro Small and Medium Enterprises

The Company has received intimation from a supplier regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 and amounts unpaid as at March 31, 2009 are Rs. 3,573,959/-.

17. Deferred Tax Asset

The net deferred tax asset of Rs. 50.41 lacs as at March 31, 2009 has arisen on account of the following:

Particulars	2008-09 Amount in Rs.	2007-08 Amount in Rs.
Deferred Tax Asset		
Depreciation as per books	13,996,854	271,798
Preliminary Expenses	-	16,616,466
Compensated Absence	2,774,842	329,574
Business Loss & Unabsorbed Depreciation	27,226,735	-
Deferred Tax Liability		
Depreciation as per Income Tax Act	25,011,404	8,557,953
Unamortised Miscellaneous Expenditure	4,154,116	-
Net Deferred Tax Asset	5,041,366	2,943,495

However, in absence of virtual / reasonable certainty of sufficient future taxable income, the company has not recognized deferred tax asset.

18. Capital commitments as at Balance Sheet date is Rs.7,912,241/- (Previous Year Rs.26,006,424)

19. Previous year's figures have been regrouped/ rearranged, where necessary.

For and on behalf of the Board

Vinod Yennemadi
Chairman

Pralay Mondal
Director

Haren Parekh
Finance Controller

Place: Mumbai
Date: April 15, 2009

Cash Flow Statement

	For the Year ended March 31, 2009 Amount in Rs.	For the Period ended March 31, 2008 Amount in Rs.
<u>Cash flows from operating activities</u>		
Net profit before income tax	(91,902,361)	(35,934,136)
Adjustments for:		
Depreciation	13,996,854	271,798
(Profit)/Loss on Revaluation of Investments	-	-
Amortisation of premia on investments	-	-
Loan Loss provisions	-	-
Provision against standard assets	70,564	-
Provision for wealth tax	-	-
Contingency provision	-	-
Preliminary Expenses	-	-
Loss/(Profit) on sale of fixed assets	-	-
<u>Adjustments for :</u>		
(Increase) in Investments	-	-
Increase in Receivables under financing activity	(1,491,373,771)	-
(Increase) in Advances	11,153,060	(23,682,549)
(Decrease) in Borrowings	979,589,148	-
Increase in Deposits	-	-
(Increase) in Other assets	(11,381,879)	(6,000,000)
Preliminary Expenses	-	-
Increase in other Liabilities & Provisions	32,328,041	24,609,285
(Increase)/Decrease in Deposit Placements	-	-
	(557,520,344)	(40,735,601)
Direct taxes paid (net of refunds)	(734,839)	(27,000)
Net cash flow from/(used in) operating activities	(558,255,183)	(40,762,602)
<u>Cash flows from investing activities</u>		
Purchase of fixed assets	(72,227,692)	(28,768,860)
Proceeds from sale of fixed assets	-	-
Long term investments	-	-
Net cash used in investing activities	(72,227,692)	(28,768,860)

Cash Flow Statement



<u>Cash flows from financing activities</u>		
Money received on exercise of stock options by employees	-	-
Proceeds from issue of Upper Tier II capital, Lower Tier II capital and Innovative Perpetual Debt Instruments	-	-
Redemption of subordinated debt	-	-
Issue of equity shares	650,000	1,049,420,000
Dividend during the year	-	-
Tax on Dividend	-	-
Net cash generated from financing activities	650,000	1,049,420,000
Net increase in cash and cash equivalents	(629,832,875)	979,888,539
Cash and cash equivalents as at 31 March, 2008	979,888,538	-
Cash and cash equivalents as at 31 March, 2009	350,055,663	979,888,538
	(629,832,875)	979,888,538

As per our report of even date

For Haribhakti & Co.
Chartered Accountants

Manoj Daga
Partner
Membership No.48523

Place: Mumbai
April 15, 2009

For and on behalf of the Board.

Vinod Yennemadi
Chairman

Pralay Mondal
Director

Haren Parekh
Finance Controller

RBI Disclosure

Disclosure Pursuant to Reserve Bank of India Notification DNBS.193DG (VL) - 2007 dated February 22, 2007:

(Rs. In Lakhs)

Sr.No	Particulars	2008-09	2007-08
	Liabilities side:		
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid: (a) Debentures - Secured - Unsecured (other than falling within the meaning of public deposits) (b) Deferred Credits (c) Term Loans (d) Inter-Corporate Loans and Borrowings (e) Other Loans (Represents Working Capital Demand Loans and Cash Credit from Banks)	- - - 9000.00 - -	- - - - - -
	Assets side:		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]: (a) Secured (b) Unsecured	6223.95 8514.07	- 271.76
3	Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities (i) Lease Assets including Lease Rentals Accrued and Due: (a) Financial Lease (b) Operating Lease (ii) Stock on Hire including Hire Charges under Sundry Debtors: (a) Assets on Hire (b) Repossessed Assets (iii) Other Loans counting towards AFC Activities (a) Loans where Assets have been Repossessed (b) Loans other than (a) above	- - - - - -	- - - - - -
4	Break-up of Investments (net of provision for diminution in value): Current Investments: I. Quoted: i. Shares: a) Equity b) Preference ii. Debentures and Bonds iii. Units of Mutual Funds iv. Government Securities v. Others (please specify) II. Unquoted: i. Shares: a) Equity b) Preference ii. Debentures and Bonds	- - - - - - - - - - - -	- - - - - - - - - - -

	iii. Units of Mutual Funds iv. Government Securities v. Others (Please specify) Long Term Investments: I. Quoted: i. Shares: a) Equity b) Preference ii. Debentures and Bonds iii. Units of Mutual Funds iv. Government Securities v. Others (please specify) II. Unquoted: i. Shares: a) Equity b) Preference ii. Debentures and Bonds iii. Units of Mutual Funds iv. Government Securities v. Others (Please specify)	-	-
5	Borrower Group-wise Classification of Assets Financed as in (2) and (3) above: 1. Related Parties (a) Subsidiaries (b) Companies in the same Group (c) Other Related Parties 2. Other than Related Parties	14738.02	271.76
6	Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) 1. Related Parties (a) Subsidiaries (b) Companies in the Same Group (c) Other Related Parties 2. Other than Related Parties	-	-
7	Other Information (i) Gross Non-Performing Assets (a). Related party (b) Other than related party (ii) Net Non-Performing Assets (a) Related party (b) Other than related party (iii) Assets Acquired in Satisfaction of Debt	-	-

Balance Sheet Abstract and Companies General Business Profile



(Submitted in terms of Part IV of schedule VI to the Companies Act, 1956)

I Registration Details

Registration No.	:	051028	State Code:	:	04
Balance Sheet Date	:	31/03/2009			

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

Public Issue	:	N I L	Rights Issue	:	N I L
Bonus Issue	:	N I L	Private Placement	:	650,000

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

Total Liabilities	:	2,087,554	Total Assets	:	2,087,554
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Sources of Funds (Amount in Rs.thousand)

Paid-up Capital	:	1,050,070	Reserves & Surplus	:	N I L
Secured Loans	:	900,000	Unsecured Loans	:	N I L

Application of Funds (Amount in Rs.thousand)

Loans	:	30,547	Net Fixed Assets	:	85,282
Capital work in Progress	:	N I L	Deferred Tax Asset	:	5,041
Investments	:	N I L	Net Current Assets	:	1,734,547
Accumulated losses	:	128,794	Miscellaneous Expenditure	:	N I L

IV Performance of Company (Amount in Rs.thousand)

Total Income	:	235,435	Total Expenditure	:	327,337
Profit Before Tax	:	(91,902)	Profit After Tax	:	(92,827)
Earning Per Share in Rs.	:	(0.88)	Dividend %	:	N I L

V Generic Names of Three Principal Services of the Company (as per monetary terms)

Item Code No. (ITC Code) : -

Product Description : Financial Services

Notes

[illegible]

