



TOP SECTORS

OIL DRILL / ALLIED

5

GLASS & GLASS PRODUCTS

2 12

DRY CELLS

1 3

GLOBAL INDICES

HANG
SENG
23,614.86
0.37%

STRAITS
TIMES
3,116.93
0.36%

NASDAQ
2,781.07
0.15%

DJIA
12,319.73
0.25%

Annual Report 2011

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HDFC securities

Board of Directors

Mr. Abhay Aima
Mr. Aseem Dhru, Managing Director
Mr. Bharat Shah, Chairman
Ms. Latika Monga
Mr. S.S. Thakur
Mr. Santosh Haldankar, Whole Time Director & Company Secretary

Auditors

Deloitte Haskins & Sells
Chartered Accountants

Bankers

HDFC Bank Limited
Standard Chartered Bank
IndusInd Bank Limited
IDBI Bank Limited
Bank of America
Punjab National Bank
Corporation Bank

**Whole Time Director &
Company Secretary**

Mr. Santosh Haldankar

Registered Office

Office Floor 8,
I Think Techno Campus,
Building B - Alpha,
Kanjurmarg (E),
Mumbai - 400 042
Tel No. : 30753454
Fax No.: 30753435
Website : www.hdfcsec.com

Registrar & Share Transfer Agents

Datamatics Financial Services Limited,
Plot No A.16 & 17,
Part B Crosslane,
MIDC, Marol,
Andheri (East),
Mumbai - 400 093
Tel. No.: 66712214
Fax No.: 28213404

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Eleventh Annual Report on the business and operations of the Company together with audited accounts for the year ended 31 March 2011.

FINANCIAL RESULTS

(Rs. in Crores)

	Year ended 31-3-2011	Year ended 31-3-2010
Total Income	260.51	235.31
Total Expenses	136.14	105.94
Profit before depreciation	124.37	129.37
Depreciation and Amortisation	8.46	7.94
Profit before tax	115.91	121.43
Provision for Tax	38.75	43.25
Profit after tax	77.16	78.18
Balance brought forward	130.40	53.09
Amount available for appropriation	207.56	131.27
Proposed dividend	0.90	0.75
Tax including surcharge and education cess on dividend	0.15	0.12
Balance carried over to Balance Sheet	206.51	130.40

OPERATIONS

During the year under review, the Company's total income amounted to Rs. 260.51 crores as against Rs. 235.31 crores in the previous year, a growth of 10.71%. The operations have resulted in a net profit after tax of Rs. 77.16 crores as against Rs. 78.18 crores in the previous year. The Company's focus is primarily to emerge as a full-fledged financial services provider offering a bouquet of financial services alongwith the core broking product. The Company continued strengthening its distribution network and by the end of the year has a branch network of 150 branches across the country including separate linguistic call centres within these branches to cater to the financial needs of its customers across the country.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic Outlook

For India, the year 2010 was a year of contrasts. On one hand, the economy revived with steady growth, but inflation remained a concern and reforms were sluggish. Divestments and the 3G auction went off better than expected but governance hit a new low, as corruption charges against the government dampened overall morale, affected its functioning and paralyzed the entire winter session of Parliament.

While the stock market is still below its 2008 high, agri commodities and some metals (base as well as precious) have crossed their peaks a while ago. Agri-commodities by far have been one of the best performing asset classes for 2010.

India's IIP growth fell to 3.7% in January 2011. India's six core industries grew by 6.8 per cent in February 2011. Indian economy slowed to 8.2% real growth y-o-y in Q4CY10, from 8.9% y-o-y in Q3CY10. However most economists/institutions still maintain a GDP growth forecast of 7.5% to 8.5% for India in FY12. Even as the index of industrial production (IIP) continues to be volatile, other indicators, such as the latest Purchasing Managers' Index (PMI), direct and indirect tax collections, merchandise exports and bank credit, suggest that the growth momentum persists.

The Reserve Bank had expressed concern about the widening of the current account deficit (CAD) and the nature of its financing in its Third Quarter Review. Going by the recent robust export performance, CAD for 2010-11 is now estimated to come lower than earlier expected, at around 2.5 per cent of GDP. While the CAD this year has been financed comfortably, it is necessary to focus on the quality of capital inflows with greater emphasis on attracting long-term components, including foreign direct investment (FDI), so as to enhance the sustainability of the balance of payments (BoP) over the medium-term.

With exports growing at a much faster rate than imports, India's trade deficit during April-Feb 2010-11 declined to \$97.06 bn from \$100.24 bn in the same period previous fiscal (exports up 31.4%, imports up 21.2%). The exporting sectors, which performed well during the 11 months of fiscal, include engineering, petroleum and oil lubricants, cotton yarn and made-ups, chemicals and electronics. The Centre's fiscal deficit during April-Feb 2010-11 worked out to be 68.6% of the estimates, compared to 92% in the same period last year, showing improvement in the fiscal position.

India's foreign exchange reserves rose by \$26.4 bn to \$303.48 bn during the year ended March 25, 2011. On a BoP basis, India's trade deficit widened to \$ 102.1 bn during April-December 2010

(\$ 86.8 bn during April-December 2009) mainly due to higher absolute increase in imports relative to exports on the back of robust domestic economic performance. Net invisibles surplus increased to \$ 63.2 bn during April-December 2010 (\$ 61.2 bn last year) mainly due to higher increase (41.2%) in services exports. Net capital inflows increased significantly to \$ 52.7 bn during April-December 2010 (\$ 37.6 bn a year ago) driven by higher net inflows under FII investments, external assistance, short-term trade credits, ECBs and banking capital.

The recent global crisis has shown that monetary policies in advanced countries do have spillover effect on emerging market economies (EMEs). For instance, persistence of low interest rates in advanced economies, by increasing the interest rate differential could push excessive capital flows to EMEs in search of higher returns, thus exposing these economies to the risk of reversal unrelated to their fundamentals. Excessive inflows could accentuate asset prices and put upward pressure on exchange rate.

The global scenario presents a mixed picture. While growth in EMEs remains strong, that in the US and the Euro area is now gaining momentum. However, the sharp increase in oil prices as a result of the turmoil in the Middle East and North Africa is adding uncertainty to the pace of global recovery. Further, coming on top of already elevated food and other commodity prices, the spike in oil prices has engendered inflation concerns.

Consequently, an increasing number of EMEs have begun monetary tightening, while the debate on exit from the accommodative monetary stance has come to the fore in the advanced economies. ECB raised interest rates in early April 2011 by 25 bps for the first time in nearly three years.

India's consumption story remains buoyant. As in 2010, the market for skilled labour remains buoyant led by the service sector. US tech spending, supported by higher corporate free cash flow and the need to reduce cost pressure, would remain strong, spurring additional hiring by the IT and ITeS sectors. We believe a skilled labour shortage (reinforced by slowing population growth rate - as per the latest census), coupled with the aggressive hiring plans by IT and ITeS, could exert upward pressure on salaries across other sectors. This augurs well for urban-consumption demand. Rural consumption is likely to remain strong supported by higher support prices for agricultural products and higher government redistributive expenditure. We feel that consumption could be a major growth driver for the economy going forward.

FY12 will test India Inc's resilience further, given the challenging macroeconomic factors related to soaring costs of raw materials

and expensive borrowing costs due to rising interest rates. While rising costs can be passed over to the consumers upto a point, there exists a risk of slowdown in consumption in case, prices continue to rise unabatedly. Such a situation, if it develops, could take a few quarters to reverse, affecting corporate sales and profit growth.

Capital Market:

After making a low in late May 2010, India's equity markets rose continuously till early November 2010 when the Sensex crossed 21,000. The broader markets underperformed as did most of sectoral indices. Later the markets corrected all the way to 17,296 from where a sharp bounce was seen. Participation from the domestic investors (including institutions) remained subdued. A sharp shift was witnessed in trading activity from delivery (average daily volumes on NSE down 17.3% y-o-y) to F&O market (especially options) (average daily volumes on NSE up 59.1% y-o-y). This had an impact on the brokerage yields for all industry participants.

FIIs were net buyers worth Rs. 1426.6 bn in FY10 & Rs. 1462.9 bn in FY11 as compared to being net buyers of Rs. 661.8 bn in FY08. Despite this the Indian markets did not breach the highs made in Jan 2008 due to large primary issuances in FY10 and FY11, domestic selling & FIIs' unwillingness to buy at higher levels. It took nearly \$29 bn in investor flows in CY10 to cause the market to rise steadily until Nov 2010 but relatively tiny outflows later have caused sharp reversals. For markets to surpass the all time high, the retail participation (directly or through mutual funds) is important.

The financial year 2011-12 has commenced on a positive note. However as in some other emerging economies, inflation remains a key concern for India. The drivers of inflation have changed from food, fuel and power and primary non-food articles till October 2010 to manufactured non-food items since November 2010. The impending end of QE2 by the US in June 2011 could have repercussions across all asset markets including commodities, equity, bonds and currencies. China's policy action on monetary tightening to slow down their economic growth rate will also have its own impact on commodity prices and global growth rate. Outcome of state elections in India in May 2011 would also be keenly watched to judge its impact on political equations. Continued foreign fund flows and strong risk appetite are essential for Indian markets to come out of rangebound move.

DIVIDEND

Your Directors are pleased to recommend a dividend of 6% for the year ended 31 March 2011. This dividend shall be subject to

dividend distribution tax to be paid by the Company but will be tax-free in the hands of the members.

AWARDS AND RECOGNITION

During the year, the Company received an award as the best e-brokerage house (runner-up) at the Outlook Money Awards (Personal Finance) 2010.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible Corporate Citizen the Company strives for community empowerment through socio-economic development of underprivileged and marginalized sections of society. It's been the Company's endeavour to put more value on bringing social good, which is beneficial to the society and thus making a difference in the livelihood of the people. The Company has partnered with NGO to promote educational and social initiatives.

During the year under review, the Company supported a variety of social causes ranging from promoting education for underprivileged children, participating in blood donation camps, employee services to old age homes, clothes donation and distribution of computers to the underprivileged classes of society. The effort of the Company on social initiatives is on an ongoing basis.

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:

Mr. Abhay Aima and Ms. Latika Monga retire by rotation at the ensuing Annual General meeting and are eligible for re-appointment.

The Board at its meeting held on 2 February 2011 re-appointed Mr. Aseem Dhru as Managing Director of the Company for a period of 3 years from 7 April 2011 to 6 April 2014 subject to the approval of the shareholders at the ensuing Annual General Meeting.

The Board at its meeting held on 25 October 2010 also re-appointed Mr. Santosh Haldankar as Whole Time Director of the Company for a period of 3 years from 10 January 2011 to 9 January 2014, subject to the approval of the shareholders at the ensuing Annual General Meeting.

EMPLOYEE STOCK OPTION

The Company had granted 5,42,750 stock options to its employees entitling them to receive an equivalent number of Equity shares of face value of Rs. 10/- each in the Company at an exercise price of Rs. 135/- per share.

During the year under review 1,56,225 stock options vested on 17 February 2011 out of which 67,700 stock options were exercised by eligible employees. The money realised due to exercise of the said options was Rs. 91,39,500/- and consequently 67,700 equity shares of Rs. 10/- each have been allotted to the concerned employees. A detailed note on this subject is placed in the notes forming part of the accounts at point no. 14.

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. Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Company will retire at the conclusion of the forthcoming Annual General Meeting. Members are requested to consider their re-appointment on a remuneration, to be decided by the Board of Directors in mutual consultation with the 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, 2011 and

- of the profit of the Company for the year ended on that date;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
 4. they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT AND APPRECIATION:

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from the Securities and Exchange Board of India, the Bombay Stock Exchange Limited, National Stock Exchange of India Limited, National Securities Depository Limited, 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. We would also like to thank all our shareholders for their support in our endeavours.

On behalf of the Board of Directors

Place : Mumbai

Date: 13 April, 2011

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)	Last Employment
Mr. Aseem Dhru \$ B.Com, CA, CWA	41	Managing Director	1 January 2008	1,61,58,987	16	HDFC Bank Ltd
Mr. C.V. Ganesh B.Com, CA, CWA	39	Chief Financial Officer & Head - Operations	2 May 2008	60,90,140	17	Citi Technology Services Ltd.
Mr. Siddharth Shah \$ B.Com	51	Head - Branch Sales	1 June 2010	71,23,628	30	HDFC Bank Ltd
Mr. Vinod Sharma B.Com, MBA	50	Head - Pvt Broking & Wealth Mgt.	October 30, 2009	61,52,316	26	Anagram Securities Limited

Employed for part of the year

Mr. Manish Dabir B.Com	36	Head, Institutional Business	July 31, 2009	78,30,519	15	JM Financial Institutional Securities Pvt. Ltd.
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\$ - Staff on deputation for part of the year

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. None of the above are related to any Director of the Company.
3. 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** ("the Company") as at 31st March, 2011, 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. 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 the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 enclose 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, we report as follows:
 - (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 31st March, 2011;
 - (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 received from the Directors as on 31st March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No.117366W)

Nalin M. Shah
Partner
(Membership No.15860)

MUMBAI, 13 April, 2011

ANNEXURE TO THE AUDITORS' REPORT

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

- (i) Having regard to the nature of the Company's business/activities/result, clauses (ii), (viii), (x), (xiii), (xiv), (xv), (xvi), (xviii), (xix), (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 the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (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 disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) The Company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties listed 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 is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (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 in pursuance of Section 301 of the Companies Act, 1956.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public within meaning of Sections 58A & 58AA of the Companies Act, 1956.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm 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 dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Service Tax, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
 - (c) Details of dues of Income-tax, Wealth Tax, Service Tax, and Cess which have not been deposited as on 31st March, 2011 on account of disputes are given below:

Statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (Rs.in Lakhs)
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal	Assessment Year 2005-06	22.26
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal	Assessment Year 2006-07	16.11
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 2007-08	52.74
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 2008-09	3.89
Finance Act, 1994	Service Tax	Commissioner of Central Excise (Appeals)	Financial Years 2004-2005 and 2005-2006	3.77
Finance Act, 1994	Service Tax	Commissioner of Central Excise	Financial Years 2005-2006 to 2008-2009	11.07

- (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 records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 117366W)

Nalin M. Shah

Partner

(Membership No. 15860)

MUMBAI, 13 April, 2011

Balance Sheet as at 31 March, 2011

			As at 31 March, 2011	(Rs '000) As at 31 March, 2010
Sources of funds				
Shareholders' funds				
Share Capital	1	150,687		150,010
Reserves and Surplus	2	<u>2,345,070</u>	2,495,757	<u>1,575,536</u>
				1,725,546
Total			<u>2,495,757</u>	<u>1,725,546</u>
Application of funds				
Fixed Assets	3			
Gross Block		681,219		573,510
Less: Depreciation and Amortisation		<u>480,193</u>		<u>402,864</u>
Net Block			201,026	170,646
Capital Work-in-Progress			1,841	18,394
Investments	4		8,410	10
Deferred Tax Assets			5,958	6,451
Current assets, Loans and advances				
Sundry Debtors	5	1,565,122		779,763
Cash and Bank balances	6	3,002,985		2,295,398
Loans and Advances	7	<u>138,894</u>		<u>100,924</u>
		4,707,001		3,176,085
Less:				
Current liabilities and Provisions	8			
Current liabilities		2,404,730		1,628,284
Provisions		<u>23,749</u>		<u>17,756</u>
		2,428,479		1,646,040
Net Current assets			2,278,522	1,530,045
Total			<u>2,495,757</u>	<u>1,725,546</u>

The attached notes form part of the Accounts 13

In terms of our report of even date attached.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

NALIN M. SHAH
Partner

Place : Mumbai
Date : 13 April, 2011

For and on behalf of the Board

BHARAT SHAH
Chairman

ASEEM DHURU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

Profit and Loss Account for the year ended 31 March, 2011

		Year ended 31 March, 2011	(Rs '000) Year ended 31 March, 2010
Income	Schedule		
Brokerage income (See Note 13)		2,062,589	1,948,449
Fee Income		383,200	266,079
Other income	9	159,349	138,571
		<u>2,605,138</u>	<u>2,353,099</u>
Expenditure			
Payments to and provisions for employees	10	807,241	580,113
Operating expenses	11	549,099	471,102
Finance charges	12	5,085	8,166
		<u>1,361,425</u>	<u>1,059,381</u>
Profit before depreciation and tax		1,243,713	1,293,718
Less: Depreciation and Amortisation		<u>84,606</u>	<u>79,385</u>
Profit before Tax		1,159,107	1,214,333
Provision for taxation			
Current tax [See Note 9 (a)]		387,000	448,000
Deferred tax		<u>493</u>	<u>(15,483)</u>
Profit after Tax		771,614	781,816
Add: Balance brought forward from previous year		<u>1,303,954</u>	<u>530,885</u>
Amount available for appropriation		2,075,568	1,312,701
Appropriation :			
a) Proposed dividend		9,041	7,501
b) Tax on dividend		1,502	1,246
c) Balance carried to Balance Sheet		<u>2,065,025</u>	<u>1,303,954</u>
		<u>2,075,568</u>	<u>1,312,701</u>
Earnings per Share (Basic & Diluted) (Rs)		51.21	52.12

(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 **DELOITTE HASKINS & SELLS**
Chartered Accountants

NALIN M. SHAH
Partner

Place : Mumbai
Date : 13 April, 2011

For and on behalf of the Board

BHARAT SHAH
Chairman

ASEEM DHURU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

Cash Flow Statement for the year ended 31 March, 2011

Particulars	Year ended 31 March, 2011	(Rs. '000) Year ended 31 March, 2010
(A) Cash flows from Operating activities :		
Net Profit before taxation	1,159,107	1,214,333
Adjustments for :		
Interest earned on Loans and Deposits	(5,824)	(3,216)
Loss on sale / write off of Fixed Assets	125	2,283
Dividend received	(6,604)	(7,153)
Provision for Doubtful Debts	320	1,927
Provision for Wealth Tax	127	107
Depreciation and Amortisation	84,606	79,385
Interest paid	35	1,437
Provision for Employee benefits	4,163	2,420
Operating profit before working capital changes	1,236,055	1,291,523
Adjustments for changes in working capital :		
Sundry Debtors	(785,931)	(530,833)
Loans and advances	(25,628)	24,551
Fixed deposits with Scheduled Banks under Lien	(703,923)	(164,877)
Current liabilities and provisions	776,383	558,307
Cash generated from Operations	496,956	1,178,671
Direct taxes paid (net of refunds)	(399,183)	(468,309)
Net Cash from Operating activities	97,773	710,362
(B) Cash flows from Investing activities :		
Additions to Fixed Assets and Capital work in progress	(99,523)	(98,932)
Proceeds from sale of Fixed Assets	965	1,779
Bonds	(8,400)	-
Interest received	5,824	3,216
Dividend received	6,604	7,153
Net Cash used in Investing activities	(94,530)	(86,785)
(C) Cash flows from Financing activities :		
Dividend Paid (including dividend tax)	(8,684)	(3,485)
Money received on exercise of stock options by employees	9,140	-
Interest paid	(35)	(1,437)
Net Cash generated from Financing activities	421	(4,922)
Net increase in cash and cash equivalents	3,664	618,656
Cash and cash equivalents at the beginning of the year	1,271,546	652,890
Cash and cash equivalents at the end of the year	1,275,210	1,271,546
Reconciliation		
Cash and cash equivalents at the end of the year	1,275,210	1,271,546
Add: Fixed deposits with Scheduled Banks under Lien	1,727,775	1,023,852
Cash and cash equivalents at the end of the year as per Schedule 6	3,002,985	2,295,398

In terms of our report of even date attached.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

NALIN M. SHAH
Partner

Place : Mumbai
Date : 13 April, 2010

For and on behalf of the Board

BHARAT SHAH
Chairman

ASEEM DHURU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

Schedules forming part of the Accounts

	As at 31 March, 2011	(Rs. '000) As at 31 March, 2010
Schedule 1 - Share Capital		
Authorised		
20,000,000 Equity shares of Rs. 10 each	200,000	200,000
Issued, Subscribed and Paid-up	150,687	150,010
15,068,700 (previous year 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)	150,687	150,010
[8,849,839 (previous year 8,849,839) shares are held by the Holding Company - HDFC Bank Ltd.]		

Schedule 2 - Reserves and Surplus

Securities Premium Account		
Opening Balance	271,582	271,582
Additions during the year	8,463	-
	280,045	271,582
Profit and Loss Account	2,065,025	1,303,954
	2,345,070	1,575,536

Schedule 3 - Fixed assets

	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01-04-2010	Additions during the year	Deletions/ Adjustments during the year	As at 31 -03- 2011	As at 01-04-2010	Charge for the year	On deletions during the year	As at 31 -03- 2011	As at 31 -03- 2011	As at 31 -03-2010
<u>Intangible Assets</u>										
Bombay Stock Exchange Card	28,816	-	-	28,816	27,973	843	-	28,816	-	843
Computer Software	144,346	7,099	-	151,445	123,111	15,545	-	138,656	12,789	21,235
Website Costs	4,241	11,030	4,241	11,030	4,241	834	4,241	834	10,196	-
<u>Tangible Assets</u>										
Leasehold Improvements	70,081	21,947	-	92,028	28,389	10,413	-	38,802	53,226	41,692
Furniture & Fixtures	7,567	3,548	22	11,093	5,356	1,900	22	7,234	3,859	2,211
Computer Hardware	238,035	53,319	1,571	289,783	177,070	37,528	1,341	213,257	76,526	60,965
Office Equipments	62,778	9,467	39	72,206	31,266	12,181	27	43,420	28,786	31,512
Motor Cars	17,646	9,666	2,494	24,818	5,458	5,362	1,646	9,174	15,644	12,188
Total	573,510	116,076	8,367	681,219	402,864	84,606	7,277	480,193	201,026	170,646
Previous year	530,950	83,875	41,315	573,510	360,732	79,385	37,253	402,864	170,646	170,218

Schedules forming part of the Accounts (Contd.)

			(Rs. '000)
		As at 31 March, 2011	As at <u>31 March, 2010</u>
Schedule 4 - Investments (See note 12)			
Unquoted: (non trade) (at cost)			
Equity Shares (Long Term)			
1,30,000 Equity Shares of Re 1/- each fully paid-up of Bombay Stock Exchange Limited	10		10
Quoted: (non trade) (at cost)			
Bonds (Long Term)			
840 State Bank of India Bonds - Series 2 Lower Tier II Bonds of Rs. 10,000/- each	8,400		-
[Market value: Rs. 8,484 thousand (previous year - Nil)]	<u>8,410</u>		<u>10</u>
Schedule 5 - Sundry Debtors			
Outstanding for a period exceeding six months			
Unsecured - Considered Good	4,116	4,116	-
Unsecured - Considered Doubtful	3,235		2,726
Less : Provision for Doubtful Debts	3,235	-	2,726
Outstanding for a period of less than six months			
Secured - Considered Good	1,533,177		757,724
Unsecured - Considered Good	27,829	1,561,006	22,039
Unsecured - Considered Doubtful	424		363
Less : Provision for Doubtful Debts	424	-	363
	<u>1,565,122</u>		<u>779,763</u>
Schedule 6 - Cash and Bank Balances			
Cash on hand	16		10
In current accounts with Scheduled Banks	1,039,694		754,348
Fixed deposits with Scheduled Banks	1,963,275		1,541,040
[Including deposits under lien Rs 17,27,775 thousand (previous year Rs 10,23,852 thousand)]	<u>3,002,985</u>		<u>2,295,398</u>
Schedule 7 - Loans and Advances			
Unsecured, Considered Good			
Advances recoverable in cash or in kind or value to be received	91,464		64,566
Interest accrued on Investments	324		-
Other Current Assets	10,749		12,092
Deposit with Stock Exchanges	21,125		21,125
Margin monies with clearing member	1,300		1,300
Advance Tax (Net)	13,932		1,841
Unsecured, considered doubtful	1,029	1,280	
Less : Provision for doubtful advances	1,029	-	-
	<u>138,894</u>		<u>100,924</u>

Schedules forming part of the Accounts (Contd.)

			(Rs. '000)
		As at	As at
		31 March, 2011	31 March, 2010
Schedule 8 - Current Liabilities and Provisions			
Sundry Creditors (See Note 11)	2,355,388	1,584,069	
Other Liabilities	10,391	7,815	
Advance Fees	38,863	36,375	
Liability towards Investor Education and Protection Fund under Section 205 C of the Companies Act, 1956			
Unpaid Dividend (not due for transfer as on 31.03.2011 / 31.03.2010)	88	25	1,628,284
Provisions			
For taxes [Net]	146	112	
For employee benefits	13,060	8,897	
For Proposed Dividend	9,041	7,501	
For Tax on Dividend	1,502	1,246	
	23,749		17,756
	2,428,479		1,646,040
Schedule 9 - Other Income			
Interest on fixed deposits [TDS - Rs. 12,407 thousand (previous year Rs. 12,122 thousand)]	122,876		101,370
Interest on loans and deposits [TDS - Rs. 6 thousand (previous year Rs. 13 thousand)]	5,824		3,216
Other Interest	11,274		23,381
Dividend on Long Term Investments (non-trade)	520		520
Income from Current Investments (non-trade) (See Note 12)	6,084		6,633
Miscellaneous income	12,771		3,451
	159,349		138,571
Schedule 10 - Payments to and provisions for employees (See Note 3)			
Salaries, Wages and Bonus	744,752		517,655
Contribution to provident and other funds	22,475		14,384
Staff training and welfare expenses	37,471		19,784
Staff on Deputation	2,543		28,290
	807,241		580,113

Schedules forming part of the Accounts (Contd.)

			(Rs. '000)
		Year ended 31 March, 2011	Year ended 31 March, 2010
Schedule 11 - Operating Expenses			
Stamp, registration and trading expenses		72,612	54,726
Outsourcing and Professional fees (See Note 3)		78,889	70,565
Directors' sitting fees		580	276
Repairs and maintenance - Buildings	20,284		13,527
- Others	<u>46,422</u>	66,706	<u>49,749</u>
Rent		105,702	68,001
Rates and taxes		3,900	6,787
Membership and subscriptions		9,827	6,908
Advertisement and Marketing		28,937	21,408
Commission		2,624	2,617
Electricity		20,203	28,415
Auditors' Remuneration			
Audit fees		900	800
Other matters		10	10
Out of pocket expenses		6	8
Website maintenance expenses		5,293	6,282
Printing and stationery		12,892	9,405
Insurance		1,822	1,108
Travelling and Conveyance expenses		26,756	15,478
Postage & communication expenses		100,536	96,733
SEBI turnover fees		1,282	1,543
Wealth Tax		127	107
Provision for doubtful debts		320	1,927
Loss on sale of Fixed Assets (Net)		125	2,283
Miscellaneous expenses		<u>9,050</u>	<u>12,439</u>
		549,099	471,102
Schedule 12 - Finance Charges			
Bank Guarantee Charges		4,893	5,824
Bank charges		157	905
Interest paid - others		35	1,437
		<u>5,085</u>	<u>8,166</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, 2011

1. Contingent liabilities

- Bank Guarantees Rs. 410,000 thousand (previous year - Rs. 700,000 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. 3,004 thousand (previous year - Rs. 819 thousand) & Others - Rs. 203 thousand (previous year - Nil).
- Service tax demands, net of amounts paid for Rs. 1,484 thousand (previous year - Rs. 1,484 thousand).

2. Pending capital commitments

As at 31 March, 2011 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. 13,842 thousand (previous year - Rs 4,877 thousand).

3. Managerial Remuneration

(Rs. '000)

	FY 2010-11	FY 2009-10
Salary & incentive	17,913	14,471
Provident Fund	174	155
Superannuation	149	135
Gratuity	0	0
Perquisites	422	1,153
Total	18,658	15,914

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 includes incentive amounting to Rs. 8,500 thousand (previous year - Rs. 5,573 thousand) for the previous year paid during the year but excludes incentives for the current year to two whole time directors since it has not yet been ascertained.

In the current year, the Company paid Rs. 1,650 thousand (previous year - Rs 1,827 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 same.

Mr. Santosh Haldankar has been reappointed as whole time director for a period of 3 years with effect from 10 January, 2011. His reappointment is subject to approval of the shareholders.

4. a) Expenditure in Foreign Currency (on payment basis) (Rs. '000)

	FY 2010-11	FY 2009-10
Travelling Expenses	35	24
Others	980	986
Total	1,015	1,010

b) Earnings in Foreign Currency (on receipt basis) (Rs. '000)

	FY 2010-11	FY 2009-10
Consultancy Fees	Nil	332
Total	Nil	332

5. In terms of the Accounting Standard 15 on Employee Benefits (AS-15) as notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures have been made as required by the Standard:

- The Company has recognised Rs. 18,828 thousand (previous year - Rs. 12,318 thousand) in the 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	FY 2010-11	FY 2009-10
Opening Defined Benefit Obligation	7,185	4,860
Current Service Cost	3,060	2,059
Interest Cost	593	516
Actuarial Losses / (Gain)	65	(191)
Benefits paid	(464)	(59)
Closing Defined Benefit Obligation	10,439	7,185

(ii). Reconciliation of Fair value of Plan Assets (Rs. '000)

Particulars	FY 2010-11	FY 2009-10
Opening Fair value of Plan Assets	3,506	2,198
Expected return on Plan Assets	280	253
Contributions	0	1,000
Benefits paid	(464)	(59)
Actuarial Gain / (Loss)	(79)	114
Closing Fair value of Plan Assets	3,243	3,506

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

(Rs. '000)

Particulars	FY 2010-11	FY 2009-10
Present Value of Funded Obligation	10,439	7,185
Fair Value of Plan Assets	3,243	3,506
Net Liability Recognised in the Balance Sheet under 'Sundry Creditors'	(7,196)	(3,679)

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

(Rs. '000)

Particulars	FY 2010-11	FY 2009-10
Current Service Cost	3,060	2,059
Interest Cost	593	516
Expected return on Plan Assets	(280)	(253)
Actuarial Losses / (Gain) - (net)	143	(306)
Net gratuity expenses included in 'Payments to and provisions for employees'	3,516	2,016

(v). Description of Plan Assets

Particulars	FY 2010-11 % Invested	FY 2009-10 % Invested
Debentures/Bonds	71	61
Equity	10	11
Government Securities	12	17
Other assets	7	11
Grand Total	100	100

(vi). Experience Adjustment

(Rs. '000)

Particulars	FY 2010-11	FY 2009-10	FY 2008-09	FY 2007-08	FY 2006-07
Defined Benefit Obligation	10, 439	7,185	4,860	3,309	2,578
Fair value of Plan Assets	3,243	3,506	2,198	1,751	1,828
Surplus / (Deficit)	(7,196)	(3,679)	(2,662)	(1,558)	(750)
Experience Adjustments on Plan liabilities (Gain) / Loss	669	83	(423)	*	*
Experience Adjustments on Plan Assets (Loss) / Gain	(78)	114	(49)	*	*

* Information not available

(vii). Summary of Actuarial Assumptions

Particulars	FY 2010-11	FY 2009-10
Discount Rate	8.50 %	8.25 %
Expected rate of return on Assets	8 %	8 %
Salary Escalation Rate	5 %	5 %
Mortality	Published notes under the LIC (1994-96) mortality tables	Published notes under the LIC (1994-96) mortality tables

(viii). Actual Return on Plan Assets

(Rs. '000)

Particulars	FY 2010-11	FY 2009-10
Expected Return on Plan Assets	280	253
Actuarial gain/(loss) on Plan Assets	(78)	114
Actual return on Plan Assets	202	367

(ix). Other Details

The Employer's best estimate of the contributions expected to be paid to the plan during the next year - Rs. 4,048 thousand (FY 2009-10 - Rs. 2,419 thousand).

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.

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

1. Holding Company:

HDFC Bank Limited.

2. Key Management Personnel:

Mr. Aseem Dhru, Managing Director

Mr. Santosh Haldankar, Whole Time Director

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

(Rs. '000)

Nature of Transaction	Holding Company	Key Management Personnel
Placement of fixed deposits	587,200 (5,38,295)	Nil (Nil)
Refund of fixed deposits	480,595 (1,051,875)	Nil (Nil)
Rendering of services (including recoveries of expenses)	57,683 (45,537)	Nil (Nil)
Receiving of services (including payment of expenses)	108,032 (95,669)	Nil (Nil)
Interest received	21,024 (40,149)	Nil (Nil)
Interest paid	16 (655)	Nil (Nil)
Loans received	260,000 (390,000)	Nil (Nil)
Loans repaid	260,000 (390,000)	Nil (Nil)
Dividend Paid	4,425 (1,770)	Nil (Nil)
Purchase of fixed assets	227 (Nil)	
Remuneration to Key Management Personnel	Nil	
Aseem Dhru		16,445 (14,310)
Santosh Haldankar		2,213 (1,604)

Balances outstanding as on 31 March, 2011:	Holding Company	Key Management Personnel
Receivables	Nil (1,928)	Nil (Nil)
Payables	Nil (Nil)	Nil (Nil)
Bank Balances	1,024,069 (748,514)	Nil (Nil)
Fixed Deposits	295,800 (189,195)	Nil (Nil)
Accrued Interest on Fixed Deposit - Receivable	2,702 (2,120)	Nil (Nil)
Bank Guarantees	70,000 (180,000)	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 Standards) Rules, 2006, are given below:

The Company has taken various 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 2010-11	FY 2009-10
Not later than one year	94,976	78,964
Later than one year but not later than five years	346,180	332,802
Later than five years	192,568	244,836

8. In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), as notified by the Companies (Accounting Standards) Rules, 2006:
- (i) The Earnings Per Share is computed by dividing the Net Profit After Tax by the weighted average number of equity shares.
- (ii) The Company has not issued any (previous year - 542,750) options during the year. Since the Exercise Price is the same as the fair value of the share as at the grant date, there is no dilution in the Equity Share Capital and hence the weighted average number of Equity Shares for computation of Basic and Diluted Earnings Per Share would be 15,068,700.

			FY 2010-11	FY 2009-10
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 on account of ESOP exercised	Nos.	67,700	-
	Number of shares at the end of the year	Nos.	15,068,700	15,001,000
b.	Net profit after tax available for equity shareholders	Rs. in '000	771,614	781,816
c.	Basic and Diluted earnings per share of Rs. 10 each	Rs.	51.21	52.12

9. Taxation

- a) Provision for current tax includes interest - Rs. 1,001 thousand (previous year Rs. 3,848 thousand) and earlier year's tax liability is Nil (previous year - Rs. 14,962 thousand).

b) Deferred Tax

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

(Rs. '000)

	31 March, 2011	31 March, 2010
Assets		
Provision for employee benefits	2,492	1,473
Provision for Doubtful debts	324	640
Provision for lease rental	-	3,602
Depreciation	3,142	736
Total	5,958	6,451
Deferred tax asset	5,958	6,451

10. Segment Reporting

The Company's business is to provide broking and investment 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 Standards) 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 eight (previous year - five) suppliers registered under the said Act and there are no amounts unpaid, to the said suppliers, as at the year end.

12. Investments

During the year the Company acquired and sold the following investments in Mutual funds (including Dividend reinvested)

	No. of units	No. of units
Particulars	FY 2010-11	FY 2009-10
203I / HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-Daily Dividend*, Option : Reinvest	9,985,168.01	Nil
3010 / HDFC Liquid Fund Premium Plan - Dividend - Daily Reinvest*, Option: Reinvest	4,078,769.15	28,516,624.83
Reliance Medium Term Fund - Daily Dividend Plan	11,737,032.09	5,305,464.62
Reliance Liquid Fund-Treasury Plan - Institutional Option - Daily Dividend Option	26,878,664.36	8,241,626.93
Reliance Monthly Interval Fund - Series I- Institutional Dividend Plan	4,039,618.60	
1524 ICICI Prudential Flexible Income Plan Premium - Daily Dividend	8,190,674.80	3,249,771.03
1564 ICICI Prudential Liquid Super Institutional Plan - Div - Daily	14,435,564.19	2,661,006.01

32ISD ICICI Prudential Institutional Liquid Plan-Super Institutional Daily Div	Nil	40,310,927.41
28Q ICICI Prudential Flexible Income Plan Premium - Daily Dividend	Nil	31,636,540.57
LFRCD ICICI Prudential Long Term Floating Rate Plan C - Monthly Dividend, Option : Dividend Payout	14,274,456.49	Nil

13. Brokerage rebate

Brokerage income of the current year includes provision for brokerage rebate in respect of the previous year no longer required written back amounting to Rs 108 thousand (previous year - Rs. 9,481 thousand) which had been provided as a constructive obligation, inspite of the discontinuance of the rebate scheme.

14. Accounting for Employee Share based Payments

The Shareholders of the Company approved a new stock option scheme (viz. ESOS-001) in February 2010 ("Company Options"). Under the terms of the scheme, the Company may issue stock options to employees, whole time director, managing director and directors of the Company, each of which is convertible into one equity share.

Scheme ESOS-001 provides for the issuance of options at the recommendation of the Compensation Committee of the Board (the "Compensation Committee") at a price of Rs 135/- per share, being the fair market value of the share arrived by a category 1 merchant banker.

Further, the Company had issued shares to its Employee Welfare Trust as per an old ESOP plan ("EWT Options"), in terms of which the trust grants options to its employees.

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 the vesting at the discretion of the Compensation Committee, subject to a maximum of two years from the date of vesting.

Method used for accounting for shared based payment plan

The Company uses the Intrinsic Value method 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 31 March, 2011

Particulars	EWT Options	Company Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	225,020	542,750	131.48
Granted during the year	-	-	-
Exercised during the year	109,808	67,700	119.76
Forfeited during the year	15,000	32,500	135
lapsed during the year	-	-	-
Options outstanding, end of the year	100,212	442,550	135.00
Options Exercisable	-	88,525	135.00

Activity in the options outstanding under the Employees Stock Options Plan as at 31 March, 2010

Particulars	EWT Options	Company Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	49,500	-	53.00
Granted during the year	192,020	542,750	135.00
Exercised during the year	16,500	-	53.00
Forfeited during the year	-	-	-
lapsed during the year	-	-	-
Options outstanding, end of the year	225,020	542,750	131.48
Options Exercisable	33,000	-	53.00

Following summarises the information about stock options outstanding as at 31 March, 2011

Plan	Range of exercise price (Rs.)	Number of shares arising out of options	Weighted average life of unvested options (in years)	Weighted average exercise price (Rs.)
Company Options	135.00	442,550	3.14	135.00
EWT Options	135.00	100,212	0.50	135.00

Following summarises the information about stock options outstanding as at 31 March, 2010

Plan	Range of exercise price (Rs.)	Number of shares arising out of options	Weighted average life of unvested options (in years)	Weighted average exercise price (Rs.)
Company Options	135.00	542,750	4.10	135.00
EWT Options	53.00 to 135.00	225,020	1.60	122.97

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 and Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as an average of the historical volatility of similar listed enterprises for the purpose of calculating the fair value to reduce any company specific variations. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended 31 March, 2010 are:

Particulars	EWT Options	Company Options
Dividend Yield	Nil	Nil
Expected volatility	73.56% to 79.04%	71.53% to 72.67%
Risk - free interest rate	6.53% to 8.19%	6.22% to 7.18%
Expected life of the option	0 - 2 years	0 - 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:

Particulars	As at 31 March, 2011 (Rs.'000)	As at 31 March, 2010 (Rs.'000)
Net Profit (as reported)	771,614	781,816
Add: Stock based compensation expense included in net income	-	-
Less: Stock based compensation expense determined under fair value based method (pro forma)	(19,861)	(5,434)
Net Profit (pro forma)	751,753	776,382
	(Rs.)	(Rs.)
Basic and diluted earnings per share (as reported)	51.21	52.12
Basic and diluted earnings per share (pro forma)	49.89	51.76

15. Comparative figures

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

B. Significant Accounting Policies

1. Basis of preparation

The accounts are prepared on historical cost convention, on accrual basis and comply with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006.

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.

2 Revenue recognition

- 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.
- c) Interest income is recognised in the Profit and Loss Account on an accrual basis.

3. 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 (ranging from 33 months to 9 years) |
| • Computer Hardware - Personal Computers | 3 years |
| • Computer Hardware - Others | 4 years |
| • Computer Software | 5 years |
| • Office equipments | 6 years |
| • Furniture and Fixtures | 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.

4. Investments

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

5. 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 as at the year-end, determined on the basis of the projected unit credit method (PUCM). 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.

6. 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 : 13 April, 2011

PART IV

Balance Sheet abstract and Company's General Business Profile

I Registration Details

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

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
ESOP	:	677			

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

Total Liabilities	:	24,95,757	Total Assets	:	24,95,757
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Sources of Funds (Amount in Rs. '000)

Paid-up Capital	:	150,687	Reserves & Surplus	:	23,45,070
Secured Loans	:	N I L	Unsecured Loans	:	N I L
Deferred Tax Liability	:	N I L			

Application of Funds (Amount in Rs. '000)

Net Fixed Assets	:	2,02,867	Investments	:	8,410
Deferred Tax Assets	:	5,958	Net Current Assets	:	22,78,522
Misc. Expenditure	:	N I L	Accumulated losses	:	N I L

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

Turnover	:	26,05,138	Total Expenditure	:	14,46,031
Profit/Loss before Tax	:	11,59,107	Profit/Loss after Tax	:	7,71,614
Earning Per Share in Rs.	:	51.21	Dividend Rate %	:	6%

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

150+ Branches
New Website
Equities
Online IPO
Insurance
Research
Advance Portfolio
D.I.Y SIP
Institutional desk
Mobile Trading
Desktop Widget
Regional language trading desk
Dedicated PBG & NRI trading desk
Currency Derivatives
m.hdfcsec.com
Bonds
NCD's
1.2 + million customers
Online Mutual Fund
Indices
ETF
Gold
ETF
Click'N Trade
Call'N trade
Linked account
Derivatives
Blink
Online Corporate Fixed Deposits
online password regeneration
ASBA
SMS Insta
Seamless Transactions



Directors' Report



The Members
HDB Financial Services Limited

Your Directors have pleasure in presenting the Fourth Annual Report on the business and operations of your Company together with the Audited Accounts for the Financial Year ended March 31, 2011.

FINANCIAL PERFORMANCE

(₹ in Lakhs)

	2010-11	2009-10
Total Income	17936.42	9762.77
Total Expenditure	15478.68	8360.03
Profit before Depreciation & Tax	2782.18	1402.74
Less: Depreciation	324.44	170.90
Profit before Tax	2457.74	1231.84
Provision for Taxation	851.70	240.00
Profit after Taxation	1606.04	991.84

The Company's total income increased by 83.72% to ₹ 17936.42 in the year 2010-11 as against ₹ 9762.77 lakhs in 2009-10 and net profit increased to ₹ 1606.04 lakhs during the financial year ended March 31, 2011 as against net profit of ₹ 991.84 lakhs in 2009-10. During the year under review, disbursements amounted to ₹ 1208 Crores as against ₹ 525 Crores in previous year.

DIVIDEND

In order to conserve resources and in view of long term capital requirement, your directors do not recommend any dividend.

CREDIT RATING

The Credit Analysis & Research Limited (CARE) has upgraded its rating from AA+ (Double A Plus) to AAA (Triple A) rating to the bank long term loan borrowing programme of the Company aggregating to ₹1060 crores and PR1+ for its short term borrowing programme aggregating to ₹ 100 crores and PR1+ for commercial paper programme for ₹100 Cr.

EMPLOYEES STOCK OPTION SCHEME (ESOS)

The information pertaining to Employees Stock Option is given in the notes forming part of accounts at point no.16.

CAPITAL ADEQUACY

Company's capital adequacy ratio as on March 31, 2011 was at 55.20% as against the minimum regulatory requirement of 15% for non-deposit accepting NBFCs.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Macro Economic Environment

During 2010, the Indian economy saw acceleration in the pace of growth due to rebound in rural income with increase in agricultural production and a good industrial service sector growth. The Economic Survey speaks for GDP growth of 8.2% for current fiscal and 9% for 2011.

The Liquidity situation altered significantly since June, 2010 following the auction of telecom licenses which led to outflow of liquidity from the banking system. Further the credit growth on back of economic revival exerted a huge strain on the liquidity position. High Interest rate regime continued during the major part for the financial year.

While the macro economic outlook remains positive, concerns remain due to pressures from rising crude prices in the wake of the ongoing turmoil in the Middle East and North Africa, the devastating earthquake that struck Japan and continuing worries about the debt crisis in the Euro zone. On the domestic front, high inflation along with high interest rates weighed on corporates.

Industry Structure and Developments

During the year 2010-11, NBFCs borrowed with increased cost of funds in line with the market liquidity. The Government, in tandem with the regulatory bodies, took a number of policy and structural measures to contain the inflation. Despite constraints, NBFCs have been able to grow their balance sheet and manage their non-performing assets (NPAs) to sustainable levels.

NBFCs are poised to establish a stronger presence in the retail finance space and focus on the retail lending portfolio. The recent trends of strong growth and improving asset quality and profitability are likely to continue, strengthening the credit risk profiles of NBFCs over the medium term.

Under the new RBI norms, in the interest of counter cyclicity, NBFCs will have to set aside 0.25 percent of standard assets as contingent provisions. Further Capital adequacy for NBFC ND-SI has been increased from 12% to 15% with effect from March 31, 2011.

Opportunities

NBFC have with their understanding of customer needs, focused on product innovation and customization-factors that will help them gain an edge over banks while maintaining their niche positioning.

The Company is confident that the year 2011-12 will bring reasonable growth. The lead indicators of economic performance across sectors and high GDP growth rate suggest that economic revival will sustain and this will throw up opportunities for your company. The Company continues to focus on Product / Customer Segments that are likely to give the company an advantage over the long term.

Threats

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

Directors' Report



The Company has competition from a broad range of Financial Services Providers including Commercial Banks and other NBFC Companies. Any action by other players could lead to pricing pressures and impact the company.

Ability to appropriately price risk and manage operational risks consistently are key to the company's performance over the long term.

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 grants loans to small and medium business enterprises and micro small and medium enterprises. More than half of the present book is lending towards this sector.

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 Standalone Insurance products and also products such as Loan Cover and Asset Cover.
- Collections-BPO Services – The Company has a contract with HDFC Bank for collection services. The Company has 6 call centres with a capacity over 1500 seats. These centers cover collection requirements at over 100 towns through its Calling and Field Teams.

Infrastructure

The Company has 100 branches in 65 cities thus creating the right distribution network to sell company's Products and Services. The company has its Data Centre at Bengaluru and centralized operations at Hyderabad and Chennai. The Business Process Outsourcing (BPO) vertical of the Company which has call centre now operates from 6 collection centers with a capacity of over 1500 work stations.

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. Contractor, Nayak & Kishnadwala, Chartered Accountants to conduct an internal audit and such audit reports envisages all areas and the reports are placed before the Audit Committee of the Board.

Outlook

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 is optimistic in its outlook for the year 2011-12.

Directors' Report



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 paid up capital of the company increased from ₹ 105 crores to ₹ 410 Crores. In June 2010, the company issued 10,00,00,000 Equity at ₹ 15/- per share including premium of ₹ 5 per share as a preferential allotment to Promoter amounting to ₹ 150 crores. In March 2011, the company offered 20,51,32,000 equity shares through a rights issue in the ratio of one share for every share held to all the existing shareholders at ₹ 22/- per share including a premium of ₹ 12 per share total amounting to ₹ 451 crores.

INTERNAL AUDIT AND COMPLIANCE

The internal control system of the company is well commensurate with the size, scale and complexity of operations. It is constantly being reviewed and strengthened with new and revised operating procedures. The Company has the Internal Audit and Compliance functions in place in accordance with regulatory requirements. The internal audit function is being carried out by external firm of chartered accountants and their reports are placed on quarterly basis to the Audit committee. The Audit Committee reviews the performance of the Audit and Compliance functions, the effectiveness of controls and compliance with regulatory guidelines and gives directions to the Management appropriately.

RISK MANAGEMENT AND PORTFOLIO QUALITY

The Company recognizes the importance of Risk Management and has accordingly invested in processes, people and a management structure. Risk Committee of the Company also reviews the asset quality at frequent intervals. Product Policy programs are duly approved before any new product launches and are fine tuned regularly. The asset quality of the company continues to remain healthy and the Gross Net Performing Asset of the company are @ 0.33% and Net Performing assets @ 0.18% as of March 31, 2011.

RBI GUIDELINES

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

HUMAN RESOURCES

People remain the most valuable asset of your company. Your Company continued to build on its capabilities in getting the right talent to support different products and geographies. Your company has employees in over 65 cities. To improve employee engagement, the Company has introduced a new Employee Self Service portal on Intranet. The policies and procedures pertaining to Human Resources and operations are also available to employees in the intranet. As on date, the Company has staff strength of 2981. The Company has 51% of women staff in call centres which show company's commitment towards women's empowerment.

STATUTORY DISCLOSURES

1. The information required under Section 217(2A) of the Companies Act, 1956 and the rules made there under are given in the Annexure I appended hereto and forms part of this report.

Directors' Report



2. The provisions of Section 217(1)(e) of the Companies Act, 1956 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.

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 Companies Act, 1956 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

Pursuant to provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Aseem Dhru will retire by rotation at the ensuing Annual General Meeting and being eligible offered himself for re-appointment.

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants were appointed by the Board 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.

CORPORATE GOVERNANCE REPORT

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

ACKNOWLEDGEMENT

Your Directors would like to record their appreciation of the hard work and commitment of the Company's employees, which resulted in the good performance, recorded for the year and warmly acknowledges the support extended by the Reserve Bank of India, other regulatory and government bodies, Company's auditors, customers, bankers, Promoters and shareholders.

By Order of the Board

Place : Mumbai
Date : April 15, 2011

Vinod Yennemadi
Chairman

Directors' Report

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 5 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.

The details of the directors as at March 31, 2011 including the details of their other board directorship reckoned pursuant provisions of the Companies Act, 1956, and their shareholdings are given below:

Name of the Director	Executive/Non-Executive/ Independent/Promoter	No. of Directorship (other than HDB)	No. of shares held in the Company
Mr. Vinod Yennemadi	Non-executive Director	Nil	175,000
Mr. G. Subramanian	Non-executive Director	2	100,000
Mr. Pralay Mondal	Non-executive Director	1	197,020
Mr. Aseem Dhru	Non-executive Director	1	60,000
Mr. Kaizad Bharucha	Non-executive Director	1	164,183

ii. 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.

iii. Board, Committee Meetings & Attendance

The Details attendance of the Directors at the Board, Committee and attendance at last Annual General Meeting are given as below:

Name of the Director	Number of meetings attended					Attendance	
	Board	Audit Committee	Risk Committee	Share Allotment Committee	Compensation Committee	Asset-Liability Management Committee	at last AGM
No. of Meetings	5	4	3	2	1	2	
Mr. Vinod Yennemadi	5	4	3	2	1	2	Yes
Mr. G. Subramanian	5	4	NA	1	NA	NA	No
Mr. Pralay Mondal	4	3	2	1	1	1	No
Mr. Aseem Dhru	4	NA	NA	NA	0	1	No
Mr. Kaizad Bharucha	5	NA	3	NA	NA	2	No

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

Directors' Report

3. General Body Meetings (2010-11)

Meeting	Date and Time	Venue	Resolutions passed
AGM	2.30 p.m. 31.05.2010	HDFC Bank House, Plot No. 287, Township Scheme No. 3, Navrangpura, Ahmedabad - 380009	i. To consider and adopt the audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors. ii. Re-Appointment of Mr. G. Subramanian as Director. iii. Re-Appointment of Mr. Pralay Mondal as Director iv. To re-appoint M/s. Haribhakti & Co., Chartered Accountants as Statutory Auditor. v. Preferential Issue of Equity Shares. vi. Issue of shares under Employee Stock Option Scheme (ESOS).
EGM	4.00 p.m. 24.02.2011	Madhusudan Estate, Ground Floor, Pandurang Budhkar Marg, Lower Parel (West), Mumbai 400 013	i. Borrowing in excess of Paid-up capital and free reserves ii. Re-Appointment of Mr. Haren Parekh as Manager iii. Rights Issue of Equity Shares.

4. Shareholding pattern as at 31.03.2011

Name of Shareholders	Shares held	%
HDFC Bank Ltd	40,00,00,000	97.50%
Others	10,264,000	2.50%
Total (Issued and Paid-up Shares)	410,264,000	100.00%

Auditors' Report



TO THE MEMBERS OF HDB FINANCIAL SERVICES LIMITED

1. We have audited the attached Balance Sheet of HDB Financial Services Limited ('the Company') as at March 31, 2011 and also the Profit and Loss account and the Cash Flow Statement for the year 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 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 misstatement. 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 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, 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 paragraph 3 above, we report that:
 - i. 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;
 - ii. 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;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. 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.
 - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. 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;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For Haribhakti & Co.,
Chartered Accountants
Firm Registration No. 103523W

Place : Mumbai
Date : April 15, 2011

Manoj Daga
Partner
Membership No. 48523

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of HDB Financial Services Limited on the financial statements for the year ended 31st March, 2011

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, there was no substantial disposal of fixed assets during the year.

- (ii) On the basis of our examination of relevant records and on the basis of representation received from the management, the Company does not have any stock in its books.

Accordingly, clauses (ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence, not reported upon.

- (iii) (a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

Accordingly, clauses (iii) (a), (b), (c), (d), (e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence, not reported upon.

- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the company.

- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 been so entered.
- (b) None of the transactions made in pursuance of such contracts or arrangements exceed the value of Rupees five lakh in respect of any one such party in the financial year.

- (vi) The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

- (vii) 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 given 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 deposits for the "public" attracting the directions 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 rules framed there under.

Annexure to Auditors' Report

- (c) The Company has complied with the prudential norms relating 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, 2009].
- (d) The capital adequacy ratio is in compliance with the minimum CRAR prescribed by Reserve Bank of India.
- (viii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (ix) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
- (x) (a) According to the records of the Company and the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, cess and other material statutory dues applicable to it. As explained to us, the provisions regarding investor education and protection fund, sales tax, wealth tax, custom duty and excise duty are presently not applicable to the company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, service tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (xi) As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable to the company for the current year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank. The Company has also not raised any money by issue of debentures hence, this clause is not applicable.
- (xiii) 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.
- (xiv) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, generally the Company did not deal or trade in it. However, on short term basis, surplus funds were invested in mutual fund for which proper records for the

Annexure to Auditors' Report



transaction and contracts have been maintained and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.

- (xvi) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which the loans were raised.
- (xviii) 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 for long-term investment.
- (xix) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xx) The Company did not have any outstanding debentures during the year.
- (xxi) The Company did not raise any money by way of public issue during the year.
- (xxii) According to the information and explanations given to us, one instance of fraud is noticed and reported by the company during the year. One of the customers had provided false documents for obtaining the loan of ₹ 9,78,159 from the company. Based on the outcome of the investigation carried out, the company has created the provision on such loan amount and had reversed the interest of ₹ 1,82,865 recognized on such loan amount.

**For Haribhakti & Co.,
Chartered Accountants
Firm Registration No. 103523W**

Place : Mumbai
Date : April 15, 2011

**Manoj Daga
Partner
Membership No. 48523**

Balance Sheet

	Sch	As at March 31, 2011 Amount in ₹	As at March 31, 2011 Amount in ₹	As at March 31, 2010 Amount in ₹	As at March 31, 2010 Amount in ₹
Sources of Funds :					
Shareholders Fund					
Share Capital	1	4,102,640,000		1,050,070,000	
Reserves & Surplus	2	3,090,051,212	7,192,691,212	-	1,050,070,000
Loan Fund					
Secured Loans	3	6,677,446,446		4,101,051,086	
Unsecured Loans	4	-	6,677,446,446	400,000,000	4,501,051,086
Total			13,870,137,658		5,551,121,086
Application of Funds :					
Fixed Assets	5				
Gross Block		165,251,759		123,257,397	
Less: Accumulated Depreciation		(63,346,162)		(31,358,060)	
Net Block		101,905,597		91,899,337	
Capital Advances		2,996,940	104,902,537	6,530,233	98,429,570
Investments	6		334,999,996		34,999,996
Current Assets, Loans & Advances					
Current Assets					
Sundry Debtors	7	73,593,395		36,663,309	
Receivables under Financing Activity	8	12,625,248,502		5,370,385,682	
Cash & Bank Balances	9	1,683,358,646		129,115,729	
Loans & Advances	10	135,792,569		81,227,063	
		14,517,993,112		5,617,391,784	
Less: Current Liabilities & Provisions					
Current Liabilities	11	879,532,300		166,092,348	
Provisions	12	208,225,686		63,218,261	
		1,087,757,987		229,310,609	
Net Current Asset			13,430,235,125		5,388,081,175
Profit & Loss A/c			-		29,610,346
Total			13,870,137,658		5,551,121,086
Accounting Policies and Notes on Accounts	17				

As per our report of even date

For and on behalf of the Board

For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Vinod Yennemadi
Chairman

G. Ramesh
Chief Executive Officer

Manoj Daga
Partner
Membership No.48523

Pralay Mondal
Director

Haren Parekh
Finance Controller

Rakesh Pathak
Company Secretary
& Manager Legal

Place : Mumbai
Date : April 15, 2011

Profit and Loss Account

	Sch	For the year ended March 31, 2011 Amount in ₹	For the year ended March 31, 2011 Amount in ₹	For the year ended March 31, 2010 Amount in ₹	For the year ended March 31, 2010 Amount in ₹
Income					
Interest Income (TDS Current Year ₹730,546 & Previous Year ₹ 381,557)		1,259,856,400		600,229,445	
Other Financial Charges		169,082,587		110,917,378	
Fee Based Income		359,594,898		265,029,369	
Other Income	13	5,107,962		100,562	
Total Income			1,793,641,847		976,276,754
EXPENDITURE					
Financial Charges	14	468,314,781		219,152,934	
Administrative & other expenses	15	833,994,110		576,050,559	
Depreciation		32,444,142		17,089,407	
Provisions & Write Offs	16	181,514,942		40,799,703	
Contingent Provision against Standard Assets		31,600,000		-	
Total Expenditure			1,547,867,975		853,092,603
Profit Before tax			245,773,872		123,184,151
Provision for taxation					
Current Tax		102,946,499		-	
MAT Credit Entitlement		(17,946,499)	85,000,000	24,000,000	24,000,000
Provision for Fringe Benefit Tax			169,956		-
Profit After Taxation for the Year			160,603,916		99,184,151
Prior Period item			2,526,358		-
Net Profit After tax			158,077,558		99,184,151
Balance B/F from Previous period			(29,610,346)		(128,794,497)
Transfer to Statutory Reserve			53,000,000		-
Balance Carried to Balance Sheet			75,467,212		(29,610,346)
Earning Per Share (₹)					
Basic			0.88		0.94
Diluted			0.88		0.94
Face Value Per Share (₹)			10		10
Accounting Policies and Notes on Accounts	17				

As per our report of even date

For and on behalf of the Board

For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Vinod Yennemadi
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Pralay Mondal
Director

Haren Parekh
Finance Controller

Rakesh Pathak
Company Secretary
& Manager Legal

Place : Mumbai
Date : April 15, 2011

Schedules to the Accounts

Schedule	As at March 31, 2011 Amount in ₹	As at March 31, 2011 Amount in ₹	As at March 31, 2010 Amount in ₹	As at March 31, 2010 Amount in ₹
Schedule-1				
Share capital				
Authorised				
1,000,000,000 Equity Shares of ₹ 10/- each		10,000,000,000		10,000,000,000
Issued, Subscribed and Paid up				
410,264,000 Equity Shares of ₹ 10 each fully paid up		4,102,640,000		1,050,070,000
(Previous Year ₹105,007,000 Equity Shares of ₹ 10 each fully paid up)				
(Of the above 400,000,000 Fully paid shares are held by HDFC Bank Ltd. "The Holding Company")				
(Previous Year Of the above 100,000,000 Fully paid shares are held by HDFC Bank Ltd. "The Holding Company")				
Schedule-2				
Reserves & Surplus				
Securities Premium Account	2,961,584,000		-	
Profit & Loss Account	75,467,212		-	
Statutory Reserve u/s 45 IC of RBI Act 1934	53,000,000	3,090,051,212	-	-
Schedule-3				
Secured Loan (Secured against Receivables of the company)				
Term Loan from Banks	6,677,446,446		4,099,153,889	
(Repayable during the next year ₹ 333.65 crores, Previous year ₹ 152.01 Crores)				
Cash Credits from Banks	-	6,677,446,446	1,897,197	4,101,051,086
Schedule-4				
Unsecured Loan				
Commercial Paper		-		400,000,000
(Repayable during the year NIL, Previous year 40 Crores)				

Schedules to the Accounts

Schedule-5

Fixed Assets

Particulars	Gross Block				Depreciation			Net Block		
	As on April 1, 2010	Additions for the year	Deduction during the period	As on March 31, 2011	As on April 1, 2010	For the period	Accumulated on Assets Sold / Discarded	As on March 31, 2011	As on March 31, 2011	As on March 31, 2010
Software	24,948,520	1,010,565	700,800	25,258,285	9,309,896	8,358,767	320,379	17,348,284	7,910,001	15,638,624
Computers	22,091,185	4,344,366	-	26,435,551	6,527,698	8,420,006	-	14,947,704	11,487,847	15,563,487
Furniture & Fixture	25,200,667	9,025,426	-	34,226,093	6,639,722	5,096,668	-	11,736,390	22,489,703	18,560,945
Leasehold Improvements	31,469,423	17,462,754	-	48,932,177	4,520,190	5,805,912	-	10,326,102	38,606,075	26,949,233
Office Equipment	19,547,602	11,069,249	217,198	30,399,653	4,360,554	4,762,789	135,661	8,987,682	21,411,971	15,187,048
TOTAL	123,257,397	42,912,360	917,998	165,251,759	31,358,060	32,444,142	456,040	63,346,162	101,905,597	91,899,337
Previous Year	99,550,843	23,706,554	-	123,257,397	14,268,653	17,089,407	-	31,358,060	91,899,337	85,282,190

Schedule	As at March 31, 2011 Amount in ₹	As at March 31, 2011 Amount in ₹	As at March 31, 2010 Amount in ₹	As at March 31, 2010 Amount in ₹
Schedule-6				
Investments				
Long Term Investment				
Investment in Unquoted Equity Shares				
(Non Trade Fully Paid)				
Equity Shares of Vayana Enterprises Private Limited	34,999,996		34,999,996	
(1,044,776 shares of ₹ 10 each Fully Paid up)				
(Previous Year 1,044,776 shares of ₹ 10 each)				
Short Term Investment - Non Trade				
Investments in units of Mutual Funds				
HDFC Cash Management Fund Treasury Advantage Plan)	300,000,000	334,999,996	-	34,999,996
(29,905,796 Units of ₹ 10.0315)				
(NAV as of 31 March 2011 is ₹ 10.0315 Previous Year NIL)				
Schedule-7				
Sundry Debtors (Unsecured, Considered Good)				
More than 6 months	-	-	-	-
Others	73,593,395	73,593,395	36,663,309	36,663,309

Schedules to the Accounts

Schedule	As at March 31, 2011 Amount in ₹	As at March 31, 2011 Amount in ₹	As at March 31, 2010 Amount in ₹	As at March 31, 2010 Amount in ₹
Schedule-8				
Receivables under Financing Activity				
Secured				
Loans against Immovable Property	7,069,545,432		2,555,991,226	
Other Secured Loans	2,268,100,597	9,337,646,029	238,812,610	2,794,803,835
Unsecured				
Personal Loan		3,287,602,473		2,575,581,847
Total		12,625,248,502		5,370,385,682
Schedule-9				
Cash and Balances with Scheduled Bank				
Cash on Hand	685,686		257,727	
In Current Account	682,672,960		128,858,002	
In Deposit Account	1,000,000,000	1,683,358,646	-	129,115,729
Schedule-10				
Loans & Advances (Unsecured Considered Good)				
Deposits	20,644,260		22,259,360	
Interest Accrued but not Due	273,973		-	
Unmatured Discount on commercial paper	-		19,112,932	
Advances Recoverable in Cash or in Kind	5,383,164		2,791,798	
Advance payment against taxes	109,491,172	135,792,569	37,062,973	81,227,063
Schedule-11				
Current Liabilities				
Sundry Creditors				
Due to MSME	9,500		-	
Others	655,234,884	655,244,384	36,171,859	36,171,859
In Current Account with Bank (Overdrawn Balances)		7,175,851		14,112,148
Security Deposit Received		97,500,000		60,000,000
Other liabilities		119,612,065		55,808,341
Total		879,532,300		166,092,348
Schedule-12				
Provisions				
Provisions for Tax	109,000,000		24,958,000	
Provisions against doubtful loans	24,083,079		34,866,209	
Contigent Provision against Standard Assets	31,600,000		-	
General Provisions	31,600,000		-	
Provisions for Gratuity & Compensated Absences	11,942,607	208,225,686	3,394,052	63,218,261

Schedules to the Accounts

Schedule	For the year ended March 31, 2011 Amount in ₹	For the year ended March 31, 2010 Amount in ₹
Schedule-13		
Other Income		
Profit on Sale of Asset	238,842	-
Gain on sale of Current Investment	527,721	100,562
Dividend on Non Trade Investments	4,340,987	-
Others	412	-
Total	5,107,962	100,562
Schedule-14		
Interest & Finance Charges		
Interest		
On Fixed Loans	407,424,354	193,464,176
Others	14,549,687	14,357,188
Discount on Commercial Paper	40,473,232	6,464,668
Other Charges	5,867,508	4,866,902
Total	468,314,781	219,152,934
Schedule-15		
Administrative and Other Expenses		
1) Payments to & Provision for Employees		
Salaries	539,573,710	382,280,608
Managerial Remuneration	4,500,844	3,397,313
Staff welfare & Employee benefit expenses	15,337,080	6,690,924
Contribution to Employee benefit funds & other related expenses	41,814,809	28,903,446
Sub Total	601,226,443	421,272,291
2) Other Expenses		
Rent (Net of Sub Lease rent received ₹455,700, Previous year ₹251,123)	45,688,602	46,289,942
Rates & Taxes	124,691	130,567
Legal & Professional Fees	4,701,036	4,613,449
Travelling & Conveyance	9,411,738	6,577,653
Telephone	22,331,013	24,369,039
Printing & Stationary	4,219,120	3,117,875
Postage & Courier Charges	2,031,064	1,641,591
Equipment Hire Charges	14,058,380	10,275,535
Recruitment Expense	2,026,563	963,694
Computer Expenses	15,887,543	8,548,320
Lease Car Rental & Petrol Expenses	1,332,414	1,785,633
Power & Fuel	15,241,147	10,979,808
Office Expenses	15,078,310	9,062,608
Repairs & Maintainance- Premises	1,970,442	202,787
Repairs & Maintainance-Plant & Machinery	979,558	708,111
Repairs & Maintainance-Others	145,516	48,504
Sales Promotion Expense	219,497	641,706
Stamp Duty	2,913,765	1,468,035
Credit Report Charges	18,991,550	12,325,035
Auditor's Remuneration	900,000	633,549
Insurance	239,754	213,760
Commision & Brokerage	48,753,744	8,836,282
Collection Cost	5,055,363	1,261,413
Storage Cost	466,857	83,372
Sub Total	232,767,667	154,778,268
Total	833,994,110	576,050,559
Schedule-16		
Provisions & Write offs		
Provisions for Non performing assets (Net)	25,393,245	25,476,346
Write offs	156,121,697	15,323,357
Total	181,514,942	40,799,703

Schedules to the Accounts as at March 31, 2011

SCHEDULE 17

NOTES ON ACCOUNTS

1. Overview:

HDB Financial Services Ltd. ("the Company"), incorporated in Ahmedabad, India is a non deposit taking Non Banking Financial Corporation ("NBFC") as defined under section 45-IA of the Reserve Bank of India ("RBI") Act, 1934 and is engaged in the business of financing.

2. Basis of preparation

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles in India ("Indian GAAP") and conform to the statutory requirements, circulars and guidelines issued by the RBI from time to time to the extent they have an impact on the financial statements and current practices prevailing in India. The financial statements comply in all material respects with the Accounting Standards ("AS") notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956 ("the Act"), to the extent applicable.

3. Use of Estimates

The preparation of financial statements in conformity with the India GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results could differ from these estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

4. Significant Accounting Policies:

i. Advances

Advances are classified into performing and non-performing advances (NPAs) as per the RBI 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.

ii. Fixed Assets and Depreciation

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

Depreciation is charged over the estimated useful life of the fixed 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 as under:

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is shorter.
- Office equipment at 16.21% per annum
- Computers at 33.33% (previous year 16.21% per annum)
- Software and System development expenditure at 33.33% (previous year 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. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit ("CGU"). If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to maximum of the depreciated historical cost.

iv. Investments

Investments which are long term in nature are stated at cost. Provisions are made only in case of diminution, which is other than temporary, in the value of Investment. Current investments are valued at lower of cost and net realizable value.

v. Employee Benefits

Short term employee benefits

Short term employees benefits are recognize as a expense at the undiscounted amounts in the profit & loss account for the year in which the related services rendered.

Long term employee benefits

a) Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, 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 defined gratuity benefit plans are valued by an independent external actuary as at the balance sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognized in the Profit and Loss Account.

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) 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. The contributions are accounted for on an accrual basis and recognized in the Profit and Loss Account, being a defined contribution plan.

c) Compensated Absences

The Company does not have a policy of encashment of unavailed leaves 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. Revenue Recognition

- Interest income is recognized in the profit or loss account on an accrual basis. Income including

Schedules to the Accounts as at March 31, 2011

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, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.
- Income from dividend is recognized in profit & loss account when the right to receive is established

viii. Taxation

Tax expenses are the aggregate of current tax and deferred tax charged or credited in the statement of profit and loss for the period.

a) Current Tax

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company.

b) Minimum Alternate Tax (MAT)

In case the company is liable to pay income tax u/s 115JB of Income Tax Act, 1961 (i.e. MAT), the amount of tax paid in excess of normal income tax is recognized as an asset (MAT Credit Entitlement) only if there is convincing evidence for realization of such asset during the specified period. MAT credit entitlement is reviewed at each balance sheet date.

c) Deferred Tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date.

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 attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit attributable to the equity share holders for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti dilutive.

x. Accounting for Provisions, Contingent Liabilities and Contingent Assets

The Company recognises provision when there is present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. Provisions are reviewed at each balance sheet date and adjusted to reflect the current management estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

A disclosure of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.

Schedules to the Accounts as at March 31, 2011

Contingent assets are not recognized in the financial statements.

However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognized in the period in which the change occurs.

xi. Interest on borrowings:

Interest on borrowings is recognized in Profit and Loss Account on an accrual basis.

5. Change in accounting policy

During the year company has changed the NPA policy due to which provision for NPA has increased by ₹ 255 lakhs and the profit before tax has been decrease by this amount.

- 5A** Provision against doubtful loans includes the amount of ₹ 47.15 lakhs (Previous Year ₹ 92.91 lakhs on account of reversal of interest income on non performing assets.

6. Capital Adequacy Ratio

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

Particulars	2010-11	2009-10
CRAR%	55.20%	17.87%
CRAR –Tier I Capital %	54.72%	17.87%
CRAR-Tier II Capital %	0.48%	Nil

7. Exposure to Real Estate Sector

(₹ in lakhs)

Categories	2010-11	2009-10
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)	50,155	18,814
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)	19,087	6,733
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).	-	-

Schedules to the Accounts as at March 31, 2011

8. Maturity pattern of certain items of assets and liabilities

(₹ in lakhs)

As at 31.03.2011	1 day to 30/31 days 1 month	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Assets									
Loans and Advances	2,545	2,325	2,454	8,118	18,026	39,317	19,559	33,668	126,012
Liabilities									
Borrowings	-	1924	3770	8950	17884	34246	-	-	66774

As at 31.03.2010	1 day to 30/31 days 1 month	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Assets									
Loans and Advances	1,643	1,841	1,017	4,030	7,565	19,871	5,999	12,096	53,355
Liabilities									
Borrowings	851	333	1,950	4,025	12,053	25,801	600	Nil	45,613

9. Segment Reporting

Summary of opening segments of the Company is given below:

(₹ in lakhs)

Particulars	2010-11	2009-10
i. Segment Revenue		
Lending business	14,289.39	6,854.50
Fee Based Income	3,552.75	2,650.29
Unallocated	94.28	257.97
Total	17,936.42	9,762.77
Less: Inter Segment Revenue		-
Income from Operations		
ii. Segment Results		
Lending business	3,840.99	1,156.57
Fee Based Income	428.68	343.10
Unallocated	(1,837.19)	(267.83)
Total profit before tax	2432.48	1,231.84
Income Tax expenses		
Current tax	(850.00)	(240.00)
FBT	(1.70)	0.00
Net Profit	1,580.78	991.84

Schedules to the Accounts as at March 31, 2011

Particulars	2010-11	2009-10
iii. Capital Employed		
Segment assets		
Lending business	133,035.21	55,065.84
Fee based Income	1,371.75	779.13
Unallocated	14,931.18	1,314.57
Total Assets	149,338.13	57,159.55
Segment Liabilities		
Lending business	74,226.93	45,621.98
Fee based Income	1,127.20	724.50
Unallocated	2,057.10	608.47
Total Liabilities	77,411.22	46,954.95
Net Segment assets / (liabilities)		
Lending business	58,808.29	9,443.86
Fee based Income	244.55	54.63
Unallocated	12,874.09	706.10
iv. Capital Expenditure (including net CWIP)		
Lending business	77.16	93.26
Fee based Income	378.65	122.80
Unallocated	(5.90)	86.30
Total	449.92	302.36
v. Depreciation		
Lending business	169.35	104.50
Fee based Income	132.01	55.16
Unallocated	23.10	11.23
Total	324.45	170.89
vi Non performing asset & Write offs		
Lending business	2,131.15	408.00
Fee based income	-	-
Unallocated	-	-
Total	2,131.15	408.00

A. PRIMARY SEGMENT

a) **Business Segment:**

Segment identified by the company comprises as under:

- i. Collection services
- ii. Lending Services

Schedules to the Accounts as at March 31, 2011

b) Segment Revenue & Expenses:

Revenue and Expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and Expenses which relate to enterprises as a whole and are not allocable to a segment on a reasonable basis have been disclosed as "Unallocable".

c) Segment Assets and Liabilities:

Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable".

d) Inter segment Transfers:

Segment revenue, segment Expenses and segment results include transfer between business segments, such transfers are eliminated in consolidation.

e) Accounting Policies:

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

10. AS – 15 Disclosure

A) Defined Contribution Plan

The contribution made to various statutory funds is recognize as expense and included in "Payments to and Provision for Employees" in Profit & Loss Account. The detail is as follows.

	Current Year	Previous Year
Provident Fund	₹ 22,589,075	₹ 18,389,089
Employee state insurance corporation (ESIC)	₹ 13,111,776	₹ 7,725,679

B) Defined Benefit Plan (Gratuity)

The Company contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Standard Life Insurance Company ("HDFC Standard Life") Limited. HDFC Standard Life has certified the Projected Benefit Obligation for all the employees 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, 2011

(Amount in ₹)

Particulars	2010-11	2009-10
Benefit Obligation as at April 1, 2010	1,853,172	1,324,758
Current Service Cost	2,108,247	1,054,953
Past service cost	34,517	-
Interest Cost	155,666	111,280
Actuarial Losses/ (Gains)	1,065,338	(637,819)
Benefits Paid	-	-
Benefit Obligation as at March 31, 2011	5,216,940	1,853,172
Fair Value of Plan Assets as at April 1, 2010	1,409,256	683,325
Expected Returns on Plan Assets	133,763	83,703
Employer's Contribution	443,916	641,433

Schedules to the Accounts as at March 31, 2011

Particulars	2010-11	2009-10
Benefits Paid	-	-
Actuarial Gains/ (Losses)	(52,124)	795
Fair Value of Plan Assets as at March 31, 2011	1,934,811	1,409,256
<u>Balance Sheet recognition</u>		
Present value of obligation	5,216,940	1,853,172
Fair value of planned asset	(1,934,811)	(1,409,256)
Liability (Asset)	3,282,129	443,916
Unrecognised past service cost	-	-
Liability (Asset) recognized in the Balance Sheet	3,282,129	443,916
<u>Profit and Loss (Expenses)</u>		
Current Service Cost	2,108,247	1,054,953
Past Service cost	34,517	-
Interest on Obligation	155,666	111,280
Expected Return on Plan Assets	(133,763)	(83,703)
Net Actuarial Losses/ (Gains) Recognised in the Year	1,117,461	(638,613)
Expenses recognised in the Profit and Loss Account	3,282,129	443,916
<u>Actual return on planned assets</u>		
Expected return on planned assets	133,763	83,703
Actuarial gain (Loss) Plan Assets	(52,124)	795
Actual Return On Plan Assets	81,639	84,498
<u>Movement in the net Liability recognised in the Balance Sheet</u>		
Opening net Liability	443,916	641,433
Expenses	3,282,129	443,916
Contribution	(443,916)	(641,443)
Closing Net Liability	3,282,129	443,916
<u>Assumptions</u>		
Discount Rate	8.2% p.a.	8.40% p.a.
Future Salary Increase (%)		
General Staff	5.00%	5.00%
Others	5.00%	5.00%
Expected Rate of Return on Plan Assets	8.00% p.a.	8.00% p.a.

Notes:

- The Company has adopted the 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, 2011

11. 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.

Enterprise over which holding company is able to exercise significant influence: HBL Global Pvt Ltd

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:

(Amount in ₹)

Nature Of Transaction	Related Party	2010-11	2009-10
Tele Collection Charges/Field Collection Charges Received/Recoverable for Collection Services Rendered	HDFC Bank Ltd	391,868,209	294,206,107
Expenses Recoverable for expenses incurred on behalf of HDFC bank	HDFC Bank Ltd	-	347,491
Term loan availed during the year	HDFC Bank Ltd	2,750,000,000	2,000,000,000
Term loan paid during the year	HDFC Bank Ltd	636,336,364	-
Term loan outstanding	HDFC Bank Ltd	4,113,663,636	2,000,000,000
Security Deposit received	HDFC Bank Ltd	97,500,000	60,000,000
Interest Paid on term loan & OD account	HDFC Bank Ltd	229,355,698	54,607,179
Interest Received On Fixed Deposits	HDFC Bank Ltd	273,973	833,973
Rent Paid for premises taken on Sub-lease	HDFC Bank Ltd	5,625,840	21,209,105
Balance in current accounts	HDFC Bank Ltd	672,040,970	114,745,854
Fixed Deposits Placed	HDFC Bank Ltd	1,000,000,000	-
Money received for Software surrendered	HDFC Bank Ltd	700,800	-
Investment Banking Fees Paid	HDFC Bank Ltd	6,435	6,303,580
IPA charges	HDFC Bank Ltd	30,000	-
Locker Rent	HDFC Bank Ltd	1,381	-
Bank Charges	HDFC Bank Ltd	1,217,514	-
Balance receivable	HDFC Bank Ltd	64,749,507	26,985,381
Rent Received/Receivable for premises given on Sub-lease	HBL Global Pvt Ltd.	337,848	176,433
Equipment Hire Charges Paid	HBL Global Pvt Ltd.	976,873	NIL
Rent Paid	HBL Global Pvt Ltd.	1,563,617	NIL
Security & House Keeping Charges Receivable	HBL Global Pvt Ltd.	112,887	NIL
Electricity Charges Paid	HBL Global Pvt Ltd.	177,103	NIL
Balance payable	HBL Global Pvt Ltd.	184,726	NIL
Expenses Recoverable	HDFC Securities Ltd.	185,902	59,839
Expenses Payable	HDFC Securities Ltd.	98,697	142,459
Rent Received/Receivable from HDFC Securities for premises given on Sub-lease	HDFC Securities Ltd.	164,784	100,554
Balance Receivable	HDFC Securities Ltd.	141,525	59,839
Professional fees	Vinod Yennemadi	1,770,000	2,272,000

Schedules to the Accounts as at March 31, 2011

12. Earnings per Share

(₹ in lakhs)

Particulars	2010-11	2009-10
Net Profit/Loss (₹)	158,077,558	99,184,151
Weighted Average Number of Equity Shares		
Basic	179,318,340	105,007,000
Diluted	179,941,840	105,007,000
Earnings per Share		
Basic	0.88	0.94
Diluted	0.88	0.94
Face Value Per Share	10/-	10/-

13. Operating lease

i. Future Lease Rental payments

(Amount in ₹)

Period	2010-11	2009-2010
Not later than one year	60,575,665	43,712,563
Later than one year, but less than three years	111,245,227	88,393,095
More than three years, but less than five years	99,936,175	68,750,921
More than five years	115,632,203	97,944,505

ii. Lease payments recognized in the Profit and Loss Account ₹ 599.92 lakhs (Previous year ₹ 564.72 lakhs)

iii. Future sub lease income receivable is ₹ 32,37,987.

iv. General description of leasing arrangement

a) Leased Assets: Premises, Computers and Cars.

b) Future lease rentals are determined on the basis of agreed terms.

c) At the expiry of the lease term, the Company has an option either to return the asset or extend the term by giving notice in writing.

14. Managerial Remuneration and Computation of Net Profits under Section 198/349 of the Companies Act, 1956

i. Manager's Remuneration

(Amount in ₹)

Particulars	2010-11	2009-10
Salaries and Allowances	4,006,509	2,941,910
Contribution to Provident and other fund	118,800	100,848
Other benefits	375,535	354,555
Total	4,500,844	3397,313

Schedules to the Accounts as at March 31, 2011

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

(Amount in ₹)

Particulars	2010-11	2009-10
Profit before Tax as per Profit and Loss Account	245,773,872	123,184,151
Add: Depreciation as per Books	32,444,142	17,089,407
Provision for NPA		
Manager's Remuneration	4,500,844	3,397,313
Less: Depreciation as per Sec 350 of the Companies Act, 1956	32,444,142	17,089,407
Profit on Sale of Investments (Net)	238,842	100,562
Adjusted Profit	463,150,816	167,280,605

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 6(i) above are within the maximum permissible limits under the Companies Act, 1956.

15. Auditors' Remuneration

(Amount in ₹)

Particulars	2010-11	2009-10
As Auditor	750,000	500,000
In other capacity		
For Tax audit	130,000	100,000
For Certificates	20,000	-
For Expenses	-	34,225
Sub Total	900,000	633,549
Service Tax	92,700	62,556
Total	992,700	696,105

16. Accounting for Employee Share based Payments

The shareholders of the Company approved stock option schemes ESOS – 1 and ESOS – 2 in April 2008, ESOS – 3 in October 2009 and ESOS – 4 in October, 2010. 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.

Shares under ESOS 1 have vested during the year and have been duly exercised.

Schemes ESOS – 2, ESOS – 3 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. ESOS – 4 provide for the issuance of options at the recommendation of the Compensation Committee of the Board at a price of Rs. 17.50 per share.

Schedules to the Accounts as at March 31, 2011

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.

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, 2011

	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	470,000	10.00
Granted during the year	338,500	17.50
Exercised during the year	125,000	10.00
Forfeited / lapsed during the year	60,000	10.00
Options outstanding, end of year	623,500	14.07

Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2010

	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	265,000	10.00
Granted during the year	205,000	10.00
Exercised during the year	-	-
Forfeited / lapsed during the year	-	-
Options outstanding, end of year	470,000	10.00

Following summarizes the information about stock options outstanding as at March 31, 2011

Plan	Range of exercise price	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average Exercise Price (₹)	Vesting conditions
ESOS – 2	₹ 10.00	90,000	3.01	10.00	3 years' service
ESOS – 3	₹ 10.00	1,95,000	3.50	10.00	2 years' service
ESOS – 4	₹ 17.50	3,38,500	3.03	17.50	2 years' service

Following summarizes the information about stock options outstanding as at March 31, 2010

Plan	Range of exercise price	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average Exercise Price (₹)	Vesting conditions
ESOS – 1	₹ 10.00	125,000	2.50	10.00	2.5 years' service
ESOS – 2	₹ 10.00	140,000	3.01	10.00	3 years' service
ESOS – 3	₹ 10.00	205,000	3.50	10.00	2 years' service

Schedules to the Accounts as at March 31, 2011

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, 2011 are:

	March 31, 2011	March 31, 2010
Dividend yield	-	-
Expected volatility	-	-
Risk- free interest rate	7.67%	6.81%
Expected life of the option	1-5 years	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:

(₹ in lakhs)

	March 31, 2011	March 31, 2010
Net Profit/(Loss) (as reported)	1,580.78	991.84
Stock based compensation expense determined under fair value based method: (pro forma)	(5.29)	(2.00)
Net Profit/(Loss) (pro forma)	1,575.49	989.84
Basic earnings per share (as reported)	0.91	0.94
Basic earnings per share (pro forma)	0.91	0.94
Diluted earnings per share (as reported)	0.91	0.94
Diluted earnings per share (pro forma)	0.91	0.94

17. Micro Small and Medium Enterprises

Company has send letter to suppliers to confirm whether they are covered under Micro, Small and Medium Enterprises Act, 2006 as well as they have filed required memorandum with the prescribed authorities. Out of the letters send to the parties some confirmation has been received till the date of finalization of Balance Sheet.

(Amount in ₹)

Particulars	As at 31 March, 2011	As at 31 March, 2010
The Principal amount remaining Unpaid at the end of the year	9,500	0
The Interest Amount remaining unpaid at the end of the year	-	-
Balance of MSME parties at the end of the year	9,500	-

18. Deferred Tax Asset

The net deferred tax asset of ₹ 293.10 lakhs (Previous year ₹ 51.52 lakhs) as at March 31, 2011 has arisen on account of the following:

(Amount in ₹)

Particulars	2010-11	2009-10
Deferred Tax Asset		
Compensated absence	2,809,892	951,419
Provision for doubtful debts	26,789,058	8,216,122
Rent equalization	3,482,593	5,352,017
Deferred Tax Liability		
Difference due to depreciation as on date	2,423,311	6,687,938
Miscellaneous expenditure not yet reversed	1,347,803	2,679,405
Net Deferred Tax Asset	29,310,429	5,152,215

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

19. Investments

Profit / loss on disposal of current investments ₹ 527,722/- (Previous year: ₹ 100,562/-).

Details of Purchase and Sale of Investments made during the year are as under

CURRENT YEAR (2010-11)

(₹ in Lakhs)

Type of Investment									
Particulars	Type of Scheme	Opening Balance		Purchase		Sales		Closing Balance	
		Units	₹	Units	₹	Units	₹	Units	₹
HDFC MF Cash management fund - saving plan	Growth	-	-	12,978,922	2,500	12,978,922	2,505	-	-
HDFC MF Cash management fund - saving plan	Dividend	-	-	23,506,624	2,500	23,506,624	2,500	-	-
HDFC MF Floating rate income fund - Short term wholesale	Dividend	-	-	24,830,736	2,503	24,830,736	2,503	-	-
Kotak MF - Liquid plan - Institutional premium	Dividend	-	-	20,447,049	2,500	20,447,049	2,500	-	-
Kotak MF - Floater Long term	Dividend	-	-	32,346,065	3,260	32,346,065	3,260	-	-

Particulars	Type of Scheme	Opening Balance		Purchase		Sales		Closing Balance	
		Units	₹	Units	₹	Units	₹	Units	₹
Birla sunlife MF cash plus - Institutional premium	Dividend	-	-	65,659,804	6,579	65,659,804	6,579	-	-
Birla sunlife MF Saving fund Institutional premium	Dividend	-	-	34,995,868	3,502	34,995,868	3,502	-	-
Birla sunlife MF Ultra short term - Institutional premium	Dividend	-	-	46,750,700	4,678	46,750,700	4,678	-	-
Tata MF Liquid super high investment fund	Dividend	-	-	269,304	3,001	269,304	3,001	-	-
HDFC MF Cash management fund - Treasury advantage - Wholesale	Dividend	-	-	29,905,797	3,000	-	-	29,905,797	3,000

PREVIOUS YEAR (2009-10)
(₹ in Lakhs)

HDFC MF - Cash management fund - saving plan	Growth	-	-	1,900,986	350	1,900,986	351	-	-
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Notes:

(₹ in Lakhs)

Aggregate of Investments	As at 31-Mar-11 Cost	As at 31-Mar-11 Market Value	As at 31-Mar-10 Cost	As at 31-Mar-10 Market Value
1. Quoted Investments	-	-	-	-
2. Unquoted Investments	350.00	-	350.00	-
3. Immovable Properties	-	-	-	-
TOTAL	350.00	-	350.00	-
Less : Provision for Dimunition in value of Shares	-	-	-	-
TOTAL	350.00	-	350.00	-

Note: Aggregate NAV of the Unquoted Mutual Fund Units is ₹ 30,00,00,000(Previous year nil)

Schedules to the Accounts as at March 31, 2011



- 20. Capital commitments as at Balance Sheet date is ₹133.49 lakhs net of advances (Previous Year ₹ 277.52 lakhs)
- 21. During the year company has mobilized ₹15000 lakhs from preferential allotment of Equity shares to its promoter company & the same has been fully deployed for the purpose for which it has been raised.
- 22. Previous year figures have been regrouped/ rearranged, where necessary.

For and on behalf of the Board

Vinod Yennemadi
Chairman

Pralay Mondal
Director

G. Ramesh
Chief Executive Officer

Haren Parekh
Finance Controller

Rakesh Pathak
Company Secretary & Manager Legal

Place: Mumbai
Date : April 15, 2011

Cash Flow Statement

(Amount in ₹)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Cash flows from operating activities		
Net profit before income tax	245,773,872	123,184,151
Profit on sale of asset	(238,842)	-
Adjustments for:		
Prior Period item	(2,526,358)	-
Depreciation	32,444,142	17,089,407
Adjustments for :		
(Increase) in Investments	-	-
Increase in Receivables under financing activity	(7,265,645,950)	(3,892,264,446)
(Increase) in Advances	(56,796,798)	(28,168,984)
(Decrease) in Borrowings	2,176,395,361	3,661,051,086
(Increase) in Other assets	-	-
-Increase in Other liabilities and provisions	785,188,507	(27,040,075)
(Increase)/Decrease in Deposit Placements		
	(4,085,406,067)	(146,148,860)
Direct taxes paid (net of refunds)	(35,826,750)	(11,000,000)
Preliminary, pre-operating and share issue expenses incurred		
Net cash flow from/(used in) operating activities	(4,121,232,817)	(157,148,860)
Cash flows from investing activities		
Purchase of fixed assets	(39,379,067)	(28,791,077)
Proceeds from sale of fixed assets	700,800	-
Short term investments	(300,000,000)	-
Long term investments	-	(34,999,996)
Net cash used in investing activities	(338,678,267)	(63,791,073)

Cash Flow Statement

	For the year ended March 31, 2011	For the year ended March 31, 2010
Cash flows from financing activities		
Issue of equity shares	6,014,154,000	-
Dividend during the year	-	-
Tax on Dividend	-	-
Dividend paid during the year on Stock	-	-
Options exercised during the previous year		
Net cash generated from financing activities	6,014,154,000	-
Net cash generated from extraordinary activities	-	-
Net increase in cash and cash equivalents	1,554,242,916	(220,939,933)
Opening cash & cash equivalents	129,115,729	350,055,663
Closing cash & cash equivalents	1,683,358,646	129,115,729

As per our report of even date

For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Manoj Daga
Partner
Membership No.48523

Place : Mumbai
Date : April 15, 2011

For and on behalf of the Board

Vinod Yennemadi
Chairman

Pralay Mondal
Director

G. Ramesh
Chief Executive Officer

Haren Parekh
Finance Controller

Rakesh Pathak
Company Secretary
& Manager Legal

(₹ in Lakhs)

Sr. No	Particulars	2010-11	2009-10
	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)	- - - 66,774.46 - -	- - - 40,991.54 - 4,618.97
	Assets side:		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]: (a) Secured (b) Unsecured	93,376.46 32,876.02	27,948.03 25,755.82
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	- - - - 3,000.00 - - - - - -	- - - - -- - - - - - -

RBI Disclosure

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

(₹ in Lakhs)

Sr. No	Particulars	2010-11	2009-10
	Liabilities side:		
	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:	349.99	349.99
	a) Equity	349.99	349.99
	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	126,252.48	53,703.85
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	349.99	349.99
7	Other Information		
	(i) Gross Non-Performing Assets		
	a. Related party	-	-
	b. Other than related party	413.77	509.53
	(ii) Net Non-Performing Assets		
	(a) Related party	-	-
	(b) Other than related party	221.08	254.76
	(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	:	31/03/2011			

II Capital Raised during the period (Amount in ₹ thousand)

Public Issue	:	N I L	Rights Issue	:	4,512,904,000
Bonus Issue	:	N I L	Private Placement	:	N I L

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

Total Liabilities	:	14,957,895	Total Assets	:	14,957,895
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Sources of Funds (Amount in ₹ thousand)

Paid-up Capital	:	4,102,640	Reserves & Surplus	:	3,090,051
Secured Loans	:	6,677,446	Unsecured Loans	:	NIL

Application of Funds (Amount in ₹ thousand)

Loans	:	N I L	Net Fixed Assets	:	101,905
Capital work in Progress	:	2,996	Deferred Tax Asset	:	N I L
Investments	:	334,999	Net Current Assets	:	13,430,235
Accumulated losses	:	N I L	Miscellaneous Expenditure	:	N I L

IV Performance of Company (Amount in ₹ thousand)

Total Income	:	1,793,641	Total Expenditure	:	1,547,867
Profit Before Tax	:	245,773	Profit After Tax	:	158,077
Earning Per Share in Rs.	:	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