Directors' Report

The Members
HDB Financial Services Limited

Your Directors have pleasure in presenting the Fifth Annual Report on the business and operations of your Company together with the Audited Accounts for the Financial Year ended March 31, 2012.

FINANCIAL PERFORMANCE

(₹ In Crores)

	2011-12	2010-11
Total Income	431.76	178.88
Total Expenditure	357.50	151.32
Profit/(Loss) before Depreciation & Tax	74.26	27.56
Less: Depreciation	3.61	3.24
Profit before Tax	70.65	24.32
Provision for Taxation	19.54	8.52
Profit / (Loss) after Taxation	51.11	15.80

The Company's total income increased by 241% to ₹ 431.76 in the year 2011-12 as against ₹ 178.88 Crores in 2010-11 and net profit increased to ₹ 51.11 Crores during the financial year ended March 31, 2012 as against net profit of ₹ 15.80 Crores in 2010-11. During the year under review, disbursements amounted to ₹ 3385 Crores as against ₹ 1208 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 assigned "CARE AAA" rating to the Long term Bank facilities of the Company aggregating to ₹4250 Crores, A1+ for its short term Debt program aggregating to ₹ 300 Crores, A1+ for Commercial Paper program for ₹ 100 Cr. During the year, CARE has assigned "CARE AAA" rating for "Non convertible Debentures" issue aggregating to ₹ 1000 Crores.

EMPLOYEES STOCK OPTION SCHEME (ESOS)

The information pertaining to Employees Stock Option is given in the notes to accounts.

CAPITAL ADEQUACY

Company's capital adequacy ratio as on March 31, 2012 was at 19.94% as against the minimum regulatory requirement of 15% for non-deposit accepting NBFCs.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Macro Economic Environment

During 2011, the Indian economy was affected due to persistently high inflation, high crude prices and tight monetary policy. Fiscal deficit, which was projected at 4.6% of GDP, is now estimated at 5.9%, The economy showed signs of a slowdown in growth. GDP growth for FY 12 is expected at 6.9% as against target of 8.4% at the beginning of the year. Agriculture grew at 2.5%. Industrial Growth, which now accounts for only 25% of GDP, slowed to 4.5%. Services which now accounts for 56% of GDP grew at a healthy 9.4%.

The Indian Banking system has been facing structural liquidity problems. Banks have been borrowing through LAF and MSF windows from RBI. The Reserve Bank of India has taken several measures to infuse liquidity into the system by reducing CRR and through Open Market Operations (OMO). High Interest rate regime continued during the major part of the financial year.

The economic outlook looks positive with Government aiming at growth of more than 7.6% during the next Fiscal. (Sources: MoF, RBI, CSO)

Industry Structure and Developments

High Interest rate regime started during the year 2010-11 continued during the year 2011-12 as well. As a result, NBFCs borrowed with increased cost of funds in line with the market liquidity. NBFCs were still able to face the adversities and grow during the testing times.

Opportunities

Focus on addressing supply bottlenecks in Agriculture, Energy, Transport is likely to create large opportunities for private sector investment. Introduction of new technology in farming and agro-processing, and setting up of warehouses and cold chains can do wonders for this sector and NBFCs play a vital role by lending/financing for the agriculture, Infrastructure and transport sectors.

The Government in its budget has taken several measures to boost investment such as SME India sector Opportunities fund and duty cuts in some selected sectors. The development of Micro, Small and Medium Enterprises (MSMEs) will in turn bring growth to NBFCs as MSMEs are dependent on NBFCS for project financing and working capital.

Deepening of financial markets especially corporate bonds market and attracting foreign long term investment flows for infrastructure projects are likely to happen in future.

With the government's initiative to boost infrastructure projects, NBFCs can also look for growth in Commercial Equipment funding.

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 decision to purchase financial products. Competition from a broad range of financial services providers, changes in government policy and regulatory framework could impact the company's operations.

Operations

Loans – The Company offers a range of Loans that fulfils all the financial needs of its target Segment:

- Unsecured Loans – The Loans are in the range of ₹ 100,000 to ₹ 20,00,000/-. These loans are offered as term loans with a maximum tenure of 48 months. Interest rates on these loans are higher than the rates on Secured Loans.

- Secured Loans –Secured loans are offered to customers to address larger loan requirements or longer repayment requirements. Secured Loans are in the range of ₹ 100,000 to 300,00,000/-. These loans are offered as term loans with the maximum tenure at 120 months. These loans are normally offered on a floating rate basis.

The Company provides loan against the following:

- Commercial / Residential Property

- Cars / Automobiles

- Shares

- Marketable Securities such as Bonds
- Gold Jewellery

Commercial Vehicle Loans - The Company provides loans for purchase of new and used Commercial Vehicles.

Construction Equipment - The Company has started offering financing for purchase of new Construction Equipments during the year.

Fee Based Products

- Insurance Services

  During the year under review, your company has received composite license for selling Life and General Insurance. The Company is a corporate agent for HDFC Standard Life Insurance Company Limited. The Company sells Life Insurance bundled with its Loans as a value-add as well as a standalone product. For General Insurance, the company is a corporate agent for HDFC Ergo General Insurance Company Limited.

Services Business

- BPO Services - The Company has a contract with HDFC Bank to run Collections Call centres and collect overdue from borrowers. These centres collect for the entire gamut of retail lending products of HDFC Bank. The Company offers end to end collection services in over 200 locations through its calling and field support teams.

Infrastructure

The Company has 180 branches in 135 cities thus creating the right distribution network to sell company's products and services. The company has its Data Centre at Bangalore and centralized operations at Hyderabad and Chennai. The Business Process Outsourcing (BPO) vertical of the Company now operates from 6 call centres with a capacity of over 1700 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 had 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 its niche in order to add value to consumers. The company is cautiously optimistic in its outlook for the year 2012-13.

FIXED DEPOSITS

The Company is a non deposit taking company (NBFC-ND-SI). The Company has not accepted any Fixed Deposit during the period under review. The Company has passed a resolution for non acceptance of deposits from public.

INCREASE IN PAID UP SHARE CAPITAL

During the period under review, the paid up capital of the company increased from ₹ 410.26 Crores to ₹ 410.60 Crores. The company allotted 341600 shares to employees under its ESOS scheme during the year.

ISSUE OF DEBENTURES

During the year, the Company raised Secured Non-Convertible Debentures ("NCD") of ₹ 438 Crores on private placement basis. The NCDs are rated "AAA" by CARE, indicating highest degree of safety with regard to timely servicing of financial obligations. The NCD's are issued with maturity period ranging from 2 to 5 years. The Interest payable thereon would be annual and/or on maturity. No interest was due as on March 31, 2012. The Company has not received any grievances from the Debenture holders. The Company has appointed IDBI Trusteeship Services Limited as trustees for the debentures. The Assets of the Company which are available by way of security are sufficient to discharge the claims of the Debenture holders as and when they become due.

INTERNAL AUDIT AND COMPLIANCE

The Company conducts it's Internal Audit and Compliance functions within the parameters of regulatory framework and is well commensurate with the size, scale and complexity of operations. The Internal Controls and Compliance Functions are evolved, installed, reviewed, and upgraded periodically. 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. The Company has a Compliance Policy in order to effectively monitor and supervise compliance functions in accordance with the statutory requirements.

RISK MANAGEMENT AND PORTFOLIO QUALITY

The Company recognizes the importance of Risk Management and has accordingly invested in processes, people and a management structure. The function is supervised by the Risk Committee. Risk Committee reviews the asset quality at frequent intervals. Product Policy programs are duly approved before any new product launches and are reviewed regularly. The asset quality of the company continues to remain healthy. The Gross Non-Performing Assets of the company are 0.10% and Net Non-Performing assets are 0.05% as of March 31, 2012.

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 and is taking effective steps to retain the talent. During the year under review, the total staff strength has increased to 4334 employees as compared to 2981 employees at the same time in previous year. 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.

STATUTORY DISCLOSURES

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

2. The provisions of Section 217(1) (e) of the Act relating to conservation of energy and technology absorption do not apply to your Company as it is not a manufacturing company.

3. The company had no foreign exchange inflow and outgo for the period under review.

Directors' Report

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 this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

4. The annual accounts have been prepared on a going concern basis.

DIRECTORS

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

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants, were appointed by the Shareholders as Statutory Auditors of the Company and 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 take this opportunity to place on record their appreciation to all employees for their hard work, spirited efforts, dedication and loyalty to the Company which helped the company maintain its growth. The directors also wish to place on record their appreciation for the support extended by the Reserve Bank of India, other Regulatory and Government Bodies, Company's Auditors, Customers, Bankers, Promoters and Shareholders.

On behalf of the Board of Directors

G. Subramanian
Director

April 13, 2012

Regd. Office:
Radhika, 2nd Floor, Law Garden Road,
Navrangpura, Ahmedabad 380 009 (Gujarat)

CORPORATE GOVERANCE REPORT

1. **Company's philosophy on Corporate Governance**

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

2. **Board of Directors**

i. Composition and size of the Board

The present strength of Board of Directors is 4 Directors. The Board comprises of Non-Executive Directors. The 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 Risk Management.

The details of the directors as on March 31, 2012 including the details of their other board directorship pursuant to 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. G. Subramanian	Non-executive Director	3	100,000
Mr. Pralay Mondal	Non-executive Director	1	197,020
Mr. Kaizad Bharucha	Non-executive Director	1	164,183
Mr. Anil Jaggia	Non-executive Director	Nil	Nil

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

	Name of Directors and Number of meetings attended					
Type of meeting	Mr. Vinod Yennemadi	Mr. G. Subramanian	Mr. Pralay Mondal	Mr. Aseem Dhru	Mr. Kaizad Bharucha	Mr. Anil Jaggia
Board	3	5	5	1	5	1
Audit Committee	3	4	4	NA	NA	NA
Risk Committee	3	NA	4	NA	4	NA
Compensation Committee	1	NA	1	NA	NA	NA
Asset-Liability Management Committee	3	NA	4	1	4	NA
Share Allotment Committee	2	1	2	NA	NA	NA
Debenture Allotment Committee	1	6	3	NA	NA	NA
Nomination Committee	NA	1	1	NA	NA	NA
Attendance at last AGM	YES	NO	NO	NO	NO	NO

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

3. General Body Meetings (2011-12)

Meeting	Date and Time	Venue	Resolutions passed
AGM	12 noon 10.06.2011	HDFC Bank House, Final Plot No.287, Ellisbridge Township Scheme No.3,Navrangpura, Ahmedabad - 380009	i. To consider and adopt the audited Balance Sheet as on 31st March 2011 and Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors. ii. Declaration of dividend, if any iii. Re-Appointment of Mr. Pralay Mondal as Director iv. To re-appoint M/s. Haribhakti & Co., Chartered Accountants as Statutory Auditor.
EGM	10.30 a.m. 24.02.2012	Madhusudan Estate, Ground Floor, Pandurang Budhkar Marg, Lower Parel (West), Mumbai 400 013	i. Borrowing in excess of Paid-up capital and free reserves

4. Shareholding pattern as on 31.03.2012

Name of Shareholders	Shares held	%
HDFC Bank Ltd	40,00,00,000	97.42%
Others	10,605,600	2.58%
Total (Issued and Paid-up Shares)	**410,605,600**	**100.00%**

Auditors' Report

TO THE MEMBERS OF HDB FINANCIAL SERVICES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of HDB Financial Services Limited ("the Company"), which comprise the Balance Sheet as on March 31, 2012, the Statement of Profit and Loss and Cash Flow Statement for the year ended on March 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibility is to express an opinion on these financial statements based on our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 on March 31, 2012;

(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

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

b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

e. on the basis of written representations received from the directors as on March 31, 2012, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Rakesh Rathi
Partner
Membership No. 45228

Place : Mumbai
Date : April 13, 2012

Annexure to Auditors' Report

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of **HDB Financial Services Limited** on the financial statements for the year ended March 31, 2012]

(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, a substantial part of fixed assets has not been disposed of by the company during the year.

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

Accordingly, clause (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, 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. Accordingly, the provisions stated in paragraph 4 (iii)(b),(c) and (d) of the order are not applicable.

(b) As informed, 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, the provisions stated in paragraph 4 (iii) (f) and (g) of the order are not applicable.

(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 major weakness in internal control system of the company.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

(b) None of the transactions made in pursuance of such contracts or arrangements exceed the value of rupees five lakhs in respect of any one such party in the financial year.

(vi) In our opinion and according to the information and explanations given to us, 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) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) 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.

(ix) (a) 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.

(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, wealth-tax, service tax, sales-tax, customs duty, excise duty, 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.

(x) 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.

(xi) 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, bank or debenture holders.

(xii) 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.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) 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 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.

(xv) 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.

(xvi) In our opinion, the term loans have been applied for the purpose for which the loans were raised.

(xvii) 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.

(xviii) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 8,760 debentures of ₹5,00,000 each. The Company has created charge in respect of debentures issued.

(xx) The Company has not raised money by way of public issue during the year.

(xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

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

Rakesh Rathi
Partner
Membership No. 45228

Place : Mumbai
Date : April 13, 2012

Balance Sheet

HDB FINANCIAL SERVICES

(Amount in ₹)

Particulars	Note No.	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	4,106,056,000	4,102,640,000
(b) Reserves and surplus	3	3,601,723,988	3,090,051,211
(A)		**7,707,779,988**	**7,192,691,211**
2 Non-current liabilities			
(a) Long-term borrowings	4	17,847,497,491	3,341,746,447
(b) Other Long term liabilities	5	130,637,116	108,233,836
(c) Long-term provisions	6	323,472,008	58,421,586
(B)		**18,301,606,615**	**3,508,401,869**
3 Current liabilities			
(a) Short-term borrowings	7	1,662,031,445	7,175,851
(b) Trade payables	8	111,667,299	631,231,592
(c) Other current liabilities	9	12,112,454,262	3,349,169,795
(d) Short-term provisions	10	785,293,466	264,509,848
(C)		**14,671,446,472**	**4,252,087,086**
TOTAL(A+B+C)		**40,680,833,075**	**14,953,180,166**
II. ASSETS			
Non-current assets			
1 (a) Fixed assets	11		
(i) Tangible assets		115,652,931	93,995,596
(ii) Intangible assets		1,719,538	7,910,001
(iii) Capital work-in-progress		1,058,648	-
(b) Non-current investments	12	34,999,996	34,999,996
(c) Deferred tax assets (net)		141,704,489	-
(d) Long-term loans and advances	13	30,849,083,572	9,278,157,677
(D)		**31,144,219,174**	**9,415,063,270**
2 Current assets			
(a) Current investments	14	-	300,000,000
(b) Trade receivables	15	48,364,731	73,593,395
(c) Cash and cash equivalents	16	176,430,649	1,683,358,646
(d) Short-term loans and advances	17	9,303,196,486	3,480,890,883
(e) Other current assets	18	8,622,034	273,972
(E)		**9,536,613,900**	**5,538,116,896**
TOTAL(D+E)		**40,680,833,075**	**14,953,180,166**
Accounting Policies and Notes to Accounts forming integral part of Financial Statements	1		

As per our report of even date

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

Rakesh Rathi
Partner
Membership No.45228

Place : Mumbai
Date : April 13, 2012

For and on behalf of the Board

G. Subramanian
Director

Kaizad Bharucha
Director

G. Ramesh
Chief Executive Officer

Haren Parekh
Head-Finance

Rakesh Pathak
Company Secretary

Profit and Loss Account

(Amount in ₹)

Particulars		Note No.	For the year March 31, 2012	For the year March 31, 2011
I.	Revenue from operations	19	4,311,296,158	1,783,821,191
II.	Other income	20	6,321,801	5,107,550
III.	**Total Revenue (I + II)**		**4,317,617,958**	**1,788,928,741**
IV.	Expenses:			
	Employee benefits expense	21	1,003,362,098	601,226,443
	Finance costs	22	1,696,876,767	468,314,781
	Depreciation and amortization expense	11	36,114,297	32,444,142
	Administrative & Other expenses	23	475,505,245	232,767,667
	Provisions & Write Offs	24	330,895,797	176,801,837
	Contingent Provision against Standard Assets		68,400,000	31,600,000
	Total expenses		**3,611,154,204**	**1,543,154,870**
V.	**Profit before tax (III-IV)**		**706,463,755**	**245,773,871**
VI.	Tax expense:			
	a. Current tax		335,209,181	85,000,000
	b. Deferred tax		(141,704,489)	-
	c. Provision for FBT (For earlier years)		-	169,956
	d. Income tax for earlier years		1,860,786	-
VII.	**Profit for the year**		**511,098,277**	**160,603,915**
	Prior Period item		-	2,526,358
	Net Profit After tax		**511,098,277**	**158,077,557**
VIII.	Earnings per equity share:			
	(1) Basic		1.25	0.88
	(2) Diluted		1.25	0.88
	Face Value Per Share (₹)		10	10
	Accounting Policies and Notes to Accounts forming integral part of Financial Statements	1		

As per our report of even date

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

Rakesh Rathi
Partner
Membership No.45228

Place : Mumbai
Date : April 13, 2012

For and on behalf of the Board

G. Subramanian
Director

Kaizad Bharucha
Director

G. Ramesh
Chief Executive Officer

Haren Parekh
Head-Finance

Rakesh Pathak
Company Secretary

1 a. **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.

b. **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.

c. **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.

d. **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 33.33% per annum).
- Software and System development expenditure at 33.33% (previous year 33.33% per annum).
- Immovable Property @ 1.63% (Previous Year N.A)
- Motors cars @ 20% (previous year N.A)
- Items costing less than ₹ 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 employee benefits are recognized as an expense at the undiscounted amounts in the profit & loss account for the year in which the related services are 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 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) 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 recognizes 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.

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.

Costs associated with borrowings are grouped under financial charges along with the interest costs.

xii. The company has been following the policy of crediting the customer's account only on receipt of amount in bank and as such no cheques in hand are taken into consideration

Notes to Accounts

Note 2 : Share Capital

(a) Authorised, Issued, Subscribed and Paid up

Particulars	**As at March 31, 2012**		**As at March 31, 2011**	
	Number	**Amount (in ₹)**	**Number**	**Amount (in ₹)**
Authorised				
Equity Shares of ₹10 each	1,000,000,000	10,000,000,000	1,000,000,000	10,000,000,000
Issued,Subscribed & Paid up				
Equity Shares of ₹ 10 each fully paid	410,605,600	4,106,056,000	410,264,000	4,102,640,000
Total	**410,605,600**	**4,106,056,000**	**410,264,000**	**4,102,640,000**

(b) Reconciliation of the number of shares

For Equity shares				
Shares outstanding at the beginning of the year	410,264,000	4,102,640,000	105,007,000	1,050,070,000
Shares Issued during the year	341,600	3,416,000	305,257,000	3,052,570,000
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	**410,605,600**	**4,106,056,000**	**410,264,000**	**4,102,640,000**

(c) Name of Shareholder holding more than 5% of total shares outstanding

HDFC Bank Limited (Holding company)	400,000,000	97.42	400,000,000	97.50

(d) Number of Shares reserved for ESOS

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
Number of Shares reserved for ESOS	422,900	623,500

Notes to Accounts

Note 3 : Reserves & Surplus

Amount (in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
a. Securities Premium Account		
Opening Balance	2,961,584,000	-
Add : Securities premium credited on share issue	574,500	2,961,584,000
Closing Balance	**2,962,158,500**	**2,961,584,000**
b. Statutory Reserve u/s 45 IC of RBI Act 1934		
Opening Balance	53,000,000	-
(+) Current Year Transfer	102,500,000	53,000,000
(-) Written Back in Current Year	-	-
Closing Balance	**155,500,000**	**53,000,000**
c. Surplus		
Opening balance	75,467,211	(29,610,346)
(+) Net Profit/(Net Loss) for the current year	511,098,277	158,077,557
(-) Transfer to Statutory Reserves u/s 45 IC of RBI Act 1934	102,500,000	53,000,000
Closing Balance	**484,065,488**	**75,467,211**
Total	**3,601,723,988**	**3,090,051,211**

Note 4 : Long Term Borrowings

Secured		
(a) Non Convertible debentures *	4,380,000,000	-
All Non convertible debentures are secured against Receivables under financing activity & Immovable Property		
(b) Term loans from banks *	10,830,803,400	1,159,482,811
(All Term loans are secured against Receivables under financing activity)		
(c) Loans and advances from related parties *	2,636,694,091	2,182,263,636
(All Loans & advances from related parties are secured against Receivables under financing activity)		
Total	**17,847,497,491**	**3,341,746,447**

* Of the above nothing is guaranteed by Directors and / or others.

Terms of Repayment

Term Loans

(Amount in ₹)

Sr No	Interest rate	No. of Quaterly Instalments	Payable within one year	Others
1	Fixed rate loan	10	272,727,273	-
2	Floating rate loans linked to base rate 3 Years Maturity	12	11,572,479,781	12,617,497,491
3	Floating rate loans linked to base rate 5 Years Maturity	20	150,000,000	850,000,000
			11,995,207,054	**13,467,497,491**

Note A Instalment amount depends on amount of loan and the number of instalments. All Bank loans are repayable in quarterly equal instalments.Maturity dates varies from December 2012 to November 2017

Note B All loans are secured against receivable of the company. Asset cover of 1.1 times is provided

Non Convertible Debentures

Sr. No.	Security	Interest Rate	Payable after one year (Amount in ₹)	Maturity	Interest frequency
1	Receivables & Immovable property	9.95%	1,350,000,000	Nov-17	Annual
2	Receivables & Immovable property	9.95%	250,000,000	Mar-15	on Maturity
3	Receivables & Immovable property	9.78%	150,000,000	Feb-15	Annual
4	Receivables & Immovable property	9.80%	300,000,000	Feb-15	on Maturity
5	Receivables & Immovable property	10.00%	580,000,000	Dec-14	on Maturity
6	Receivables & Immovable property	10.30%	900,000,000	Sep-14	Annual
7	Receivables & Immovable property	9.95%	250,000,000	Apr-14	on Maturity
8	Receivables & Immovable property	10.25%	600,000,000	Nov-13	Annual
	Total		**4,380,000,000**		

Note 5 : Other Long Term Liabilities

(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Other payables		
Lease equalisation account	14,453,418	10,733,836
Deposits (not as defined in Section 58A of Companies Act,1956)	97,500,000	97,500,000
Interest accrued but not due on Non Convertible Debenture	18,683,698	-
Total	**130,637,116**	**108,233,836**

Note 6 : Long Term Provisions

(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
(a) Provision for employee benefits		
- Gratuity (unfunded)	3,154,644	3,282,131
- Leave Encashment (unfunded)	9,294,603	8,660,478
(b) Others		
- Contingent Provision against Standard Assets	77,755,690	23,239,489
- Floating Provisions	233,267,071	23,239,489
Total	**323,472,008**	**58,421,586**

Note 7 : Short Term Borrowings

Unsecured		
(a) Loans & advances from related parties		
- In Current Account with Bank (Overdrawn Balances)*	1,162,031,445	7,175,851
(b) Others		
- Commercial Paper*	500,000,000	-
Total	**1,662,031,445**	**7,175,851**

* Of the above nothing is guaranteed by Directors and / or others.

Note 8 : Trade Payables

Sundry creditors		
- Due to MSME	-	-
- Others	111,667,299	631,231,592
Total	**111,667,299**	**631,231,592**

Note 9 : Other Current Liabilities

(a) Current maturities of Term loans from banks	11,995,207,053	3,335,699,999
(b) Other payables		
- Statutory Liabilities	16,025,595	8,542,464
- Interest payable but not due on Non Convertible Debenture	81,306,489	-
- Creditors for Other Expenses		
Due to MSME	-	9,500
Others	19,915,124	4,917,832
Total	**12,112,454,262**	**3,349,169,795**

HDB FINANCIAL SERVICES

Note 10 : Short Term Provisions

(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
(a) Provision for employee benefits		
Salary, Bonus & Reimbursements	96,076,463	65,211,624
Contribution to PF	3,921,960	3,901,142
(b) Others		
Provision for doubtful debts	19,128,421	19,367,600
Provisions for Tax	449,000,000	109,000,000
Provision for Expenses	128,189,383	50,308,459
Contingent Provision against Standard Assets	22,244,310	8,360,511
Floating Provisions	66,732,929	8,360,511
Total	**785,293,466**	**264,509,848**

Note 11 : Fixed asset

Particulars	Gross Block			Accumulated Depreciation			Net Block	
	Balance as at April 1, 2011	Additions during the year	Balance as at March 31,	Balance as at April 1, 2012	Depreciation charge for the year 2011	Balance as at March 31, 2012	Balance as at March 31, 2012	Balance as at March 31, 2011
Tangible Assets								
Office Equipment	30,399,653	8,642,275	39,041,928	8,987,682	5,697,767	14,685,449	24,356,479	21,411,971
Furniture and Fixtures	34,226,093	13,715,747	47,941,840	11,736,390	5,499,552	17,235,942	30,705,898	22,489,703
Leasehold Improvements	48,932,177	20,257,051	69,189,228	10,326,102	7,481,407	17,807,509	51,381,719	38,606,075
Computers Hardware	26,435,551	5,217,508	31,653,059	14,947,704	10,034,954	24,982,658	6,670,401	11,487,847
Office Premises	-	1,510,735	1,510,735	-	15,811	15,811	1,494,924	-
Vehicle	-	1,086,866	1,086,866	-	43,356	43,356	1,043,510	-
Sub-total (a)	139,993,474	50,430,182	190,423,656	45,997,878	28,772,847	74,770,725	115,652,931	93,995,596
Intangible Assets								
Computer Software	25,258,285	1,150,987	26,409,272	17,348,284	7,341,450	24,689,734	1,719,538	7,910,001
Sub-total (b)	25,258,285	1,150,987	26,409,272	17,348,284	7,341,450	24,689,734	1,719,538	7,910,001
Capital work in progress	-	1,058,648	1,058,648	-	-	-	1,058,648	-
Sub-total (c)	-	1,058,648	1,058,648	-	-	-	1,058,648	-
Total (a+b+c)	**165,251,759**	**52,639,817**	**217,891,576**	**63,346,162**	**36,114,297**	**99,460,459**	**118,431,117**	**101,905,597**

Notes to Accounts

Note 11 : Fixed asset

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at April 1, 2010	Additions during the year	Disposal during the year	Balance as at March 31, 2011	Balance as at April 1, 2010	Depreciation charge for the year	On disposals	Balance as at March 31, 2011	Balance as at March 31, 2011	Balance as at March 31, 2010
Tangible Assets										
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
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
Computers Hardware	22,091,185	4,344,366	-	26,435,551	6,527,698	8,420,006	-	14,947,704	11,487,847	15,563,487
Sub total (a)	98,308,877	41,901,795	217,198	139,993,474	22,048,164	24,085,375	135,661	45,997,878	93,995,596	76,260,713
Intangible Assets										
Computer 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
Sub total (b)	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
TOTAL (a+b)	**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**

Note - There are no additions or deletions through business combination during the year/previous years. There is no impairment of Fixed assets during the year/previous years.

Note 12 : Non-Current investments

(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Other Investments		
Investment in Equity instruments	34,999,996	34,999,996
Total	**34,999,996**	**34,999,996**
Less : Provision for diminution in the value of Investments	-	-
Total	**34,999,996**	**34,999,996**

Details of Non-Current Investments

Current year

Other Investments

Name of the Body Corporate	Subsidiary / Associate / JV/ Controlled Entity / Others	No. of Shares / Units	Quote / Unquoted	Partly Paid / Fully paid	Extent of Holding (%)	Amount (₹)	Whether stated at Cost Yes / No	If Answer to Column (9) is 'No' - Basis of Valuation
Investments in Equity Instruments								
Vayana Enterprises Private Limited	Others	1,044,776	Unquoted	Fully paid up	14.06	34,999,996	Yes	
Total		**1,044,776**				**34,999,996**		

Previous year

Other Investments

Name of the Body Corporate	Subsidiary / Associate / JV/ Controlled Entity / Others	No. of Shares / Units	Quote / Unquoted	Partly Paid / Fully paid	Extent of Holding (%)	Amount (₹)	Whether stated at Cost Yes / No	If Answer to Column (9) is 'No' - Basis of Valuation
Investments in Equity Instruments								
Vayana Enterprises Private Limited	Others	1,044,776	Unquoted	Fully paid up	14.06	34,999,996	Yes	
Total		**1,044,776**				**34,999,996**		

HDB FINANCIAL SERVICES

Details of unquoted investments (Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Aggregate amount of unquoted investments	34,999,996	34,999,996

Note 13 : Long Term Loans and Advances

a. Capital advances	6,642,697	2,996,940
b. Security Deposits		
Unsecured, considered good	30,078,954	20,644,260
c Receivables under Financing Activity		
Secured	28,016,381,744	7,605,388,872
Unsecured	2,795,980,177	1,649,127,604
Doubtful	-	-
Less - Provision for doubtful assets	-	-
Sub Total	30,812,361,921	9,254,516,477
Total	**30,849,083,572**	**9,278,157,677**

Note 14 : Current investments

Current Investments		
Investment in Mutual fund	-	300,000,000
Total	-	**300,000,000**
Less : Provision for diminution in the value of Investments	-	-
Total	-	**300,000,000**

Details of Current investments (Previous year)

Name of the Body Corporate	Subsidiary / Associate / JV/ Controlled Entity / Others	No. of Shares / Units	Quote / Unquoted	Partly Paid / Fully paid	Extent of Holding (%)	Amount (₹)	Whether stated at Cost Yes / No	If Answer to Column (9) is 'No' - Basis of Valuation
Investments in Mutual Fund								
HDFC Cash Management Fund Treasury Advantage Plan	Others	29,905,796	Unquoted	Fully paid up	14.06	300,000,000	Yes	Fair market value or cost whichever is lower
Total		29,905,796				300,000,000		

Particulars	As at March 31, 2012	As at March 31, 2011
Aggregate amount of unquoted investments	-	300,000,000

Notes to Accounts

HDB FINANCIAL SERVICES

Note 15 : Trade Receivables

(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	-	-
Others		
Unsecured, considered good	48,364,731	73,593,395
Total	**48,364,731**	**73,593,395**

Note 16 : Cash and Cash Equivalents

a. Balances with banks	125,578,143	682,672,960
b. Cheques, drafts on hand	-	-
c. Cash on hand	5,352,506	685,686
d. Others		
- Fixed deposits maturing less than 1 year	45,500,000	1,000,000,000
Total	**176,430,649**	**1,683,358,646**

Fixed deposits of ₹ 45,500,000 as on 31st March 2012 is earmarked for assignment transaction

Note 17 : Short-term Loans and Advances

a) Receivables under Financing Activity		
Secured	6,046,326,291	1,579,352,276
Unsecured	2,768,459,078	1,750,002,009
Doubtful	33,243,303	36,662,262
Sub Total	**8,848,028,672**	**3,366,016,547**
b) Advances recoverable in cash or in kind	5,597,155	5,383,164
c) Advance Tax & Tax Deducted at source	449,570,659	109,491,172
Total	**9,303,196,486**	**3,480,890,883**

Note 18 : Other Current Assets

Interest Accrued but not due on fixed deposit	109,948	273,972
Unmatured discount on commercial paper	8,512,086	-
Total	**8,622,034**	**273,972**

Notes to Accounts

Note 19 : Revenue from operations (Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Interest Income (TDS Current Year ₹ 27,42,653 & Previous Year ₹ 7,30,546)	3,447,055,304	1,258,044,995
Other Financial Charges	443,977,736	166,181,298
BPO Services	420,263,118	359,594,898
Total	**4,311,296,158**	**1,783,821,191**

Note 20 : Other income

Profit on Sale of Asset	-	238,842
Gain on sale of Current Investment	219,517	527,721
Dividend on Non Trade Investments	6,102,284	4,340,987
Total	**6,321,801**	**5,107,550**

Note 21 : Employee benefits expense

Salaries and wages (including bonus)	921,791,889	549,162,278
Contribution to provident and other funds	63,505,483	41,814,809
Staff Welfare expenses	18,064,726	10,249,356
Total	**1,003,362,098**	**601,226,443**

Note 22 : Finance costs

Interest expense	1,653,752,504	462,447,273
Other borrowing costs	40,124,263	5,867,508
Interest on delayed income tax payment	3,000,000	-
Total	**1,696,876,767**	**468,314,781**

Note 23 : Administrative & Other expenses

Rent (net of sub lease rent received ₹ 5,08,766, Previous year ₹ 4,55,700)	61,954,764	45,688,602
Rates & Taxes	199,483	124,691
Telephone	29,277,427	22,331,013
Power & Fuel	22,442,160	15,241,147
Repairs & Maintenance- Premises	1,644,038	1,970,442
Repairs & Maintenance-Machinery	1,959,226	979,558
Credit Report Charges	45,601,964	18,991,550
Auditor's Remuneration	1,104,075	900,000
Insurance	517,297	239,754
Commission & Brokerage	175,017,233	48,753,744
Others Administrative Expenses	135,787,578	77,547,166
Total	**475,505,245**	**232,767,667**

Note 24 : Provisions & Write offs

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
General Provision	268,400,000	31,600,000
Provisions released for Non performing assets	(211,734)	(6,206,755)
Write offs (net of recovery ₹ 35,264,866 Previous year ₹ 4,713,105)	62,707,531	151,408,592
Total	**330,895,797**	**176,801,837**

Note 25 : Capital Adequacy Ratio

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

Particulars	2011-12	2010-11
CRAR %	19.94%	55.20%
CRAR –Tier I Capital %	18.94%	54.72%
CRAR-Tier II Capital %	1.00%	0.48%

Note 26 : Exposure to Real Estate Sector

(Amount in ₹)

Categories	2011-12	2010-11
A. Direct Exposure		
i. Residential Mortgages -	15,293,579,118	5,015,476,652
(Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
ii. Commercial Real Estate –		
(Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)	6,409,504,469	1,908,699,441
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).	-	-

27. **Maturity pattern of certain items of assets and liabilities** (Amount in ₹)

Particular	2011-12		2010-11	
	Assets	Liabilities	Assets	Liabilities
1-30/31 day (one month)	661,916,623	25,000,000	254,490,129	-
Over one month to 2 months	716,143,491	1,007,400,000	232,504,337	192,400,000
Over 2 months upto 3 months	723,122,522	1,915,000,000	245,365,762	377,000,000
Over 3months to 6 months	2,189,201,611	3,295,800,000	811,786,496	895,000,000
Over 6 months to 1 year	4,538,516,004	6,251,210,000	1,802,601,524	1,788,400,000
Over 1 year to 3 years	15,123,967,891	15,714,595,000	3,931,692,739	3,424,618,000
Over 3 years to 5 years	7,257,395,048	2,133,700,000	1,955,878,678	-
Over 5 years	8,430,998,982	-	3,366,845,757	-
Total	**39,641,262,172**	**30,342,705,000**	**12,601,165,423**	**6,677,418,000**

28. **Segment Reporting**

Summary of segments of the Company is given below: (Amount in ₹)

Particulars	2011-12	2010-11
i. Segment Revenue		
Lending business	3,889,389,205	1,423,231,671
BPO Services	420,263,118	359,594,898
Unallocated	7,965,636	6,102,172
Total	4,317,617,958	1,788,928,740
Less: Inter Segment Revenue		
Income from Operations		
ii. Segment Results		
Lending business	759,777,474	384,098,906
BPO Services	51,326,232	42,867,719
Unallocated	(104,639,951)	(183,719,112)
Total profit before tax	706,463,755	243,247,513
Income Tax expenses		
Current tax	(335,209,181)	(85,000,000)
Deferred tax Asset	141,704,489	-
FBT	-	(169,956)
Income tax for earlier years	(18,60,786)	-
Net Profit	511,098,277	158,077,557
iii. Capital Employed		
Segment assets		
Lending business	39,882,293,072	13,303,520,633
BPO Services	105,229,380	137,174,489
Unallocated	674,182,203	1,493,117,444

Particulars	2011-12	2010-11
Total Assets	40,661,704,655	14,933,812,566
Segment Liabilities		
Lending business	32,250,664,295	7,422,692,207
BPO Services	106,695,053	112,719,726
Unallocated	596,565,319	205,709,421
Total Liabilities	32,953,924,666	7,741,121,354
Net Segment assets / (liabilities)	7,707,779,988	7,192,691,212
Lending business	7,631,628,778	5,880,828,425
BPO Services	-1,465,673	24,454,763
Unallocated	77,616,883	1,287,408,023
iv. Capital Expenditure (including net CWIP)		
Lending business	50,150,195	7,715,426
BPO Services	905,611	37,864,893
Unallocated	1,584,011	(589,017)
Total	52,639,817	44,991,302
v. Depreciation		
Lending business	21,851,706	16,934,517
BPO Services	11,408,817	13,200,177
Unallocated	2,853,774	2,309,448
Total	36,114,297	32,444,142
vi Non performing asset & Write offs		
Lending business	62,495,797	145,201,837
BPO Services	-	-
Unallocated	-	-
Total	62,495,797	145,201,837

A. PRIMARY SEGMENT

a) **Business Segment:**

Segment identified by the company comprises as under:

i. Lending Business

ii. BPO Services

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.

29. 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	₹ 35,921,946	₹ 22,589,075
Employee state insurance corporation (ESIC)	₹ 19,978,124	₹ 13,111,776

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 Life") Limited. HDFC Life has certified the Projected Benefit Obligation for all the employees covered in the Group. However, since HDFC 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, 2012 (Amount in ₹)

Particulars	**2011-12**	**2010-11**
Benefit Obligation as at April 1, 2011	5,216,940	1,853,172
Current Service Cost	47,177	2,108,247
Past service cost	-	34,517
Interest Cost	431,963	155,666
Actuarial Losses/ (Gains)	-163,607	1,065,338
Benefits Paid	-	-
Benefit Obligation as at March 31, 2012	8,532,473	5,216,940
Fair Value of Plan Assets as at April 1, 2011	1,934,811	1,409,256
Expected Returns on Plan Assets	292,494	133,763
Employer's Contribution	3,281,829	443,916
Benefits Paid	-	-
Actuarial Gains/ (Losses)	(131,605)	(52,124)
Fair Value of Plan Assets as at March 31, 2012	5,377,529	1,934,811
Balance Sheet recognition		
Present value of obligation	8,532,473	5,216,940
Fair value of planned asset	(5,377,529)	(1,934,811)
Liability (Asset)	3,154,944	3,282,129
Unrecognised past service cost	-	-
Liability (Asset) recognized in the Balance Sheet	3,154,944	3,282,129

Particulars	2011-12	2010-11
Profit and Loss (Expenses)		
Current Service Cost	3,047,177	2,108,247
Past Service cost	-	34,517
Interest on Obligation	431,963	155,666
Expected Return on Plan Assets	(292,494)	(133,763)
Net Actuarial Losses/ (Gains) Recognised in the Year	(32,002)	1,117,461
Expenses recognised in the Profit and Loss Account	3,154,644	3,282,129
Actual return on planned assets		
Expected return on planned assets	292,494	133,763
Actuarial gain (Loss) Plan Assets	(131,605)	(52,124)
Actual Return On Plan Assets	160,889	81,639
Movement in the net Liability recognised in the Balance Sheet		
Opening net Liability	3,282,129	443,916
Expenses	3,154,644	3,282,129
Contribution	(3,281,829)	(443,916)
Closing Net Liability	3,154,944	3,282,129
Assumptions		
Discount Rate	8.28%	8.2% 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.

Particulars	2009-10	2008-09
Benefit Obligation as at April 1, 2009	1,324,758	47,574
Service Cost	1,054,953	888,546
Interest Cost	111,280	3,806
Actuarial Losses/ (Gains)	(637,819)	384,832
Benefits Paid	-	-
Benefit Obligation as at March 31, 2010	1,853,172	1,324,758
Fair Value of Plan Assets as at April 1, 2009	683,325	-
Expected Returns on Plan Assets	83,703	27,333
Employer's Contribution	641,433	647,574
Benefits Paid	-	-
Actuarial Gains/ (Losses)	795	8,418
Fair Value of Plan Assets as at March 31, 2010	1,409,256	683,325

Particulars	2009-10	2008-09
Balance sheet recognition		
Present value of obligation	1,853,172	1,324,758
Fair value of planned asset	(1,409,256)	(683,325)
Liability (Asset)	443,916	641,433
Unrecognised past service cost	-	-
Liability (Asset) recognized in the Balance sheet	443,916	641,433
Profit and Loss (Expenses)		
Current Service Cost	1,054,953	888,546
Past Service cost	-	-
Interest on Obligation	111,280	3,806
Expected Return on Plan Assets	(83,703)	(27,333)
Net Actuarial Losses/ (Gains) Recognised in the Year	(638,613)	376,414
Expenses recognised in the Profit and Loss Account	443,916	1,241,433
Actual return on planned assets		
Expected return on planned assets	83,703	27,333
Actuarial gain (Loss) Plan Assets	795	8,418
Actual Return On Plan Assets	84,498	35,751
Movement in the net Liability recognised in the Balance Sheet		
Opening net Liability	641,433	1,241,433
Expenses	443,916	(600,000)
Contribution	(641,443)	-
Closing Net Liability	443,916	641,433
Assumptions		
Discount Rate	8.40% p.a.	8.00% p.a.
Future Salary Increase (%)		
1. General Staff·	5.00%	10.00%
2 Others	5.00%	2.00%
Expected Rate of Return on Plan Assets	8.00% p.a.	8.00% p.a.

Notes:

i. 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.

ii. The expected return on plan assets is as furnished by HDFC Life.

30. 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.

HDB FINANCIAL SERVICES

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

Key Management Person: Mr. Vinod Yennemadi (Till December 1, 2011)

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	2011-12	2010-11
1. HDFC Bank Ltd		
Tele Collection Charges/Field Collection Charges Received/Recoverable for Collection Services Rendered	463,550,218	391,868,209
Expenses Recoverable for expenses incurred on behalf of HDFC bank	259,219	-
Term loan availed during the year	3,000,000,000	2,750,000,000
Term loan paid during the year	1,931,451,364	636,336,364
Term loan outstanding	5,182,212,273	4,113,663,636
Security Deposit received	97,500,000	97,500,000
Interest Paid on term loan & OD account	455,181,887	229,355,698
Interest Received On Fixed Deposits	1,765,999	273,973
Rent Paid for premises taken on Sub-lease	5,823,976	5,625,840
Balance in current accounts	1,037,057,296	672,040,970
Fixed Deposits Placed	45,500,000	1,000,000,000
Money received for Software surrendered	-	700,800
Investment Banking Fees Paid	22,292,084	6,435
IPA charges	75,665	30,000
Locker Rent	1,655	1,381
Bank Charges	3,579,108	1,217,514
Balance receivable	42,545,789	64,749,507
Office Premises Purchase	1,426,000	-
Recruitment expense paid	70,000	-
Fund received on assignment transaction	284,038,452	-
2. HBL Global Pvt Ltd.		
Rent Received/Receivable for premises given on Sub-lease	337,848	337,848
Equipment Hire Charges Paid	956,100	976,873
Rent Paid	2,606,709	1,563,617
Security & House Keeping Charges Receivable	-	112,887
Electricity Charges Paid	-	177,103
Balance payable	-	184,726
3. HDFC Securities Ltd.		
Expenses Recoverable	158,967	185,902
Expenses Payable	294,269	98,697
Rent Received/Receivable for premises given on Sub-lease	223,316	164,784
Balance Receivable	(25,643)	141,525
4. Vinod Yennemadi		
Professional fees	1,301,544	1,770,000

Notes to Accounts

31. Earnings per Share

(Amount in ₹)

Particulars	2011-12	2010-11
Net Profit/Loss (₹)	511,114,978	158,077,558
Weighted Average Number of Equity Shares		
Basic	410,434,637	179,318,340
Diluted	410,434,637	179,941,840
Earnings per Share (₹)		
Basic	1.25	0.88
Diluted	1.25	0.88
Face Value Per Share (₹)	10/-	10/-

32. Operating lease

i. Future Lease Rental payments

(Amount in ₹)

Period	2011-12	2010-11
Not later than one year	83,580,863	60,575,665
Later than one year, but less than three years	149,912,178	111,245,227
More than three years, but less than five years	139,780,040	99,936,175
More than five years	154,793,058	115,632,203

ii. Lease payments recognized in the Profit and Loss Account ₹ 77,998,620 (Previous year ₹ 59,992,213)

iii. Future sub lease income receivable is ₹ 3,509,282

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.

33. Auditor's Remuneration

(Amount in ₹)

Particulars	2011-12	2010-11
As Auditor		
Statutory Audit	900,000	750,000
Tax Audit	130,000	130,000
In other capacity For Certificates	20,000	20,000
For Expenses	43,137	-
Sub Total	**1,093137**	**900,000**
Service Tax	112,594	92,700
Total	**1,205,731**	**992,700**

34. 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, ESOS–4 in October 2010 and ESOS-5 in July 2011. 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-2, ESOS-3 and part of ESOS-4 have vested during the year and have been duly exercised.

ESOS–5 provide for the issuance of options at the recommendation of the Compensation Committee of the Board at a price of ₹ 25/- per share.

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

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, 2012

	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	623,500	10.00
Granted during the year	154,500	25.00
Exercised during the year	341,600	11.68
Forfeited / lapsed during the year	13,500	17.50
Options outstanding, end of year	422,900	19.89

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

Following summarizes the information about stock options outstanding as at March 31, 2012

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 – 3	₹ 10.00	20,000	1.50	10.00	Vested
ESOS – 4	₹ 17.50	248,400	2.50	17.50	30% Vested 30% 30.9.2012 40% 30.9.2013
ESOS – 5	₹ 25.00	1,54,500	3.50	25.00	30% 30.9.2012 30% 30.9.2013 40% 30.9.2014

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	30.9.2011
ESOS – 3	₹ 10.00	195,000	3.50	10.00	30.9.2011
ESOS – 4	₹ 17.50	338,500	3.03	17.50	30% 30.9.2011 30% 30.9.2012 40% 30.9.2013

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, 2012 are:

	March 31, 2012	March 31, 2011
Dividend yield	-	-
Expected volatility	-	-
Risk- free interest rate	8.38%	7.67%
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:

(Amount in ₹)

	March 31, 2012	March 31, 2011
Net Profit/(Loss) (as reported)	511,098,277	158,077,557
Stock based compensation expense determined under fair value based method: (pro forma)	1,373,787	529,259
Net Profit/(Loss) (pro forma)	509,724,490	157,548,298
Basic earnings per share (as reported)	1.25	0.88
Basic earnings per share (pro forma)	1.24	0.88
Diluted earnings per share (as reported)	1.25	0.88
Diluted earnings per share (pro forma)	1.24	0.88

(Amount in ₹)

35. Micro Small and Medium Enterprises

As per the confirmation received from the parties following is the status of MSME parties.

Particulars	As at 31 March, 2012	As at 31 March, 2011
The Principal amount remaining Unpaid at the end of the year	-	9,500
The Interest Amount remaining unpaid at the end of the year	-	-
Balance of MSME parties at the end of the year	-	9,500

36. Deferred Tax Asset

The net deferred tax asset of ₹ 141704489/- (Previous year ₹ 29,310,429/-) as at March 31, 2012 has arisen on account of the following:

(Amount in ₹)

Particulars	2011-12	2010-11
Deferred Tax Asset		
Difference due to depreciation as on date	2,702,639	-
Compensated absence	3,015,633	2,809,892
Provision for doubtful debts	135,986,216	26,789,058
Rent equalization	-	3,482,593
Deferred Tax Liability		
Difference due to depreciation as on date	-	2,423,311
Miscellaneous expenditure not yet reversed	-	1,347,803
Net Deferred Tax Asset	**141,704,489**	**29,310,429**

37. Investments

Profit / loss on disposal of current investments ₹ 219,517/- (Previous year: ₹ 527,722/-).

38. Capital commitments as at Balance Sheet date is ₹17,738,248/- net of advances (Previous Year ₹1,33,49,000/-)

39. Loan against gold portfolio to Total portfolio is 0.13% (Previous year 0.08%)

40. During the year company has placed fixed deposit of ₹ 45,500,000/- with HDFC Bank pursuant to Assignment transaction. HDFC bank has right to recover overdue amount from this Fixed deposit alongwith interest on fixed deposit and excess interest spread on assignment agreements in case of default in assigned contracts.

41. Previous year figures have been regrouped/ rearranged, where necessary.

For and on behalf of the Board

G. Subramanian
Director

Kaizad Bharucha
Director

G. Ramesh
Chief Executive Officer

Haren Parekh
Head-Finance

Rakesh Pathak
Company Secretary

Place : Mumbai
Date : April 13, 2012

Cash Flow Statement

HDB FINANCIAL SERVICES

(Amount in ₹)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Cash flows from operating activities		
Net profit before income tax	706,463,755	245,773,872
Profit on sale of asset	-	(238,842)
Adjustments for:		
Provision & write offs	399,295,797	208,401,837
Provision for compensated absence & gratuity	3,788,769	8,992,471
Prior Period item	-	(2,526,358)
Depreciation	36,114,297	32,444,142
Adjustments for :		
(Increase)/Decrease in Receivables under financing activity	(27,102,353,366)	(7,442,447,788)
(Increase)/Decrease in Trade receivable	25,228,664	(36,930,086)
(Increase)/Decrease in Advances	(70,943,896)	(38,705,672)
(Increase)/Decrease in Other current assets	(8,348,062)	18,838,960
Increase/(Decrease) in Borrowings	24,820,113,693	2,176,395,361
Increase/(Decrease) in Other liabilities and provisions	234,425,963	1,323,248,045
Increase/(Decrease) in Trade payable	(518,795,811)	(578,652,009)
	(1,475,010,198)	**(4,085,406,067)**
Direct taxes paid (net of refunds)	(282,500,000)	(35,826,750)
Net cash flow from/(used in) operating activities	**(1,757,510,198)**	**(4,121,232,817)**
Cash flows from investing activities		
Purchase of fixed assets	(53,408,299)	(39,379,067)
Proceeds from sale of fixed assets	-	700,800
Short term investments	300,000,000	(300,000,000)
Long term investments	-	-
Net cash used in investing activities	**246,591,701**	**(338,678,267)**

Cash Flow Statement

HDB FINANCIAL SERVICES

(Amount in ₹)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Cash flows from financing activities		
Increase in equity share capital & securities premium	3,990,500	6,014,154,000
Net cash generated from financing activities	**3,990,500**	**6,014,154,000**
Net increase in cash and cash equivalents	**(1,506,927,997)**	**1,554,242,916**
Opening cash & cash equivalents	**1,683,358,646**	**129,115,729**
Closing cash & cash equivalents (Refer Note 16)	**176,430,649**	**1,683,358,646**
	1,506,927,997	(1,554,242,916)

As per our report of even date

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

Rakesh Rathi
Partner
Membership No.45228

Place : Mumbai
Date : April 13, 2012

For and on behalf of the Board

G. Subramanian
Director

Kaizad Bharucha
Director

G. Ramesh
Chief Executive Officer

Haren Parekh
Head-Finance

Rakesh Pathak
Company Secretary

RBI Disclosure

HDB FINANCIAL SERVICES

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

(Amount in ₹)

Sr. No	Particulars	2011-12	2010-11
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	4,479,990,188	-
	- Unsecured (other than falling within the meaning of public deposits)	-	-
	(b) Deferred Credits	-	-
	(c) Term Loans	25,462,704,544	6,667,446,466
	(d) Inter-Corporate Loans and Borrowings	-	-
	(e) Other Loans	1,662,031,445	7,175,851
	(Represents Working Capital Demand Loans and Cash Credit from Banks)		
	Assets side:		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]:		
	(a) Secured	21,939,706,411	7,763,298,439
	(b) Unsecured	5614,280,819	3,284,957,153
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	6,830,836	-
	(b) Loans other than (a) above	12,099,535,889	1,571,671,209
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	-	300,000,000
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares:		
	(a) Equity	-	-
	(b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-

RBI Disclosure

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

(Amount in ₹)

Sr. No	Particulars	2011-12	2010-11
	v. Others (Please specify)	-	-
	Long Term Investments:		
	I. Quoted:		
	i. Shares:		
	(a) Equity	-	-
	(b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares:		
	(a) Equity	34,999,996	34,999,996
	(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	39,660,353,955	12,619,926,801
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	34,999,996	34,999,996
7	Other Information		
	(i) Gross Non-Performing Assets		
	(a) Related party	-	-
	(b) Other than related party	37,797,027	41,377,740
	(ii) Net Non-Performing Assets		
	(a) Related party	-	-
	(b) Other than related party	18,668,603	22,108,148
	(iii) Assets Acquired in Satisfaction of Debt	-	-