HDB FINANCIAL SERVICES

6th Annual Report 2012-2013

HDB Financial Services Limited

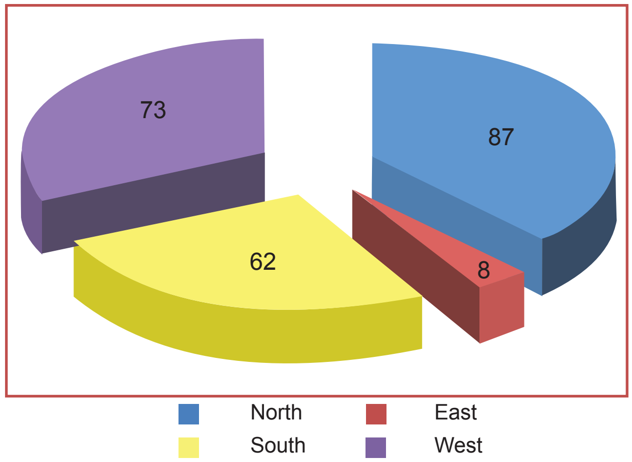
Financial highlights

(₹ in Crores)

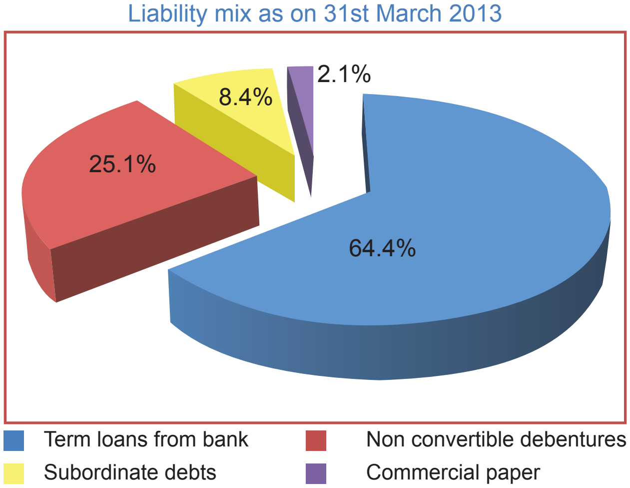
Particulars	2009	2010	2011	2012	2013
Total revenue	23.54	97.62	178.85	431.13	963.19
Profit before tax	(9.29)	12.32	24.32	70.65	150.13
Profit after tax	(9.29)	9.92	15.81	51.11	102.45
Fixed asset (net)	8.52	9.85	10.49	11.84	20.14
Receivables under financing	144.32	533.55	1262.52	3964.13	8203.67
Total assets	182.11	558.15	1387.73	3921.25	8027.03
Shareholders fund	92.11	102.04	719.27	770.78	873.53
Borrowings	90.00	456.11	668.46	3150.47	7153.51
Total Liabilities	182.11	558.15	1387.73	3921.25	8027.03
EPS (₹)	(0.88)	0.94	0.88	1.25	2.49
Book value (₹)	8.77	9.72	17.53	18.77	21.27

Graphs

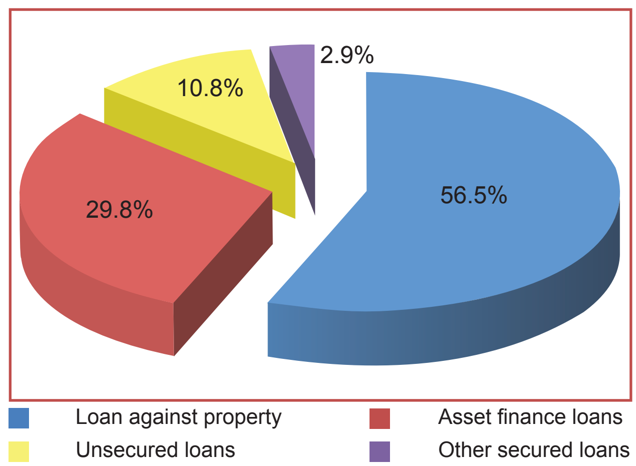
Branches (nos)

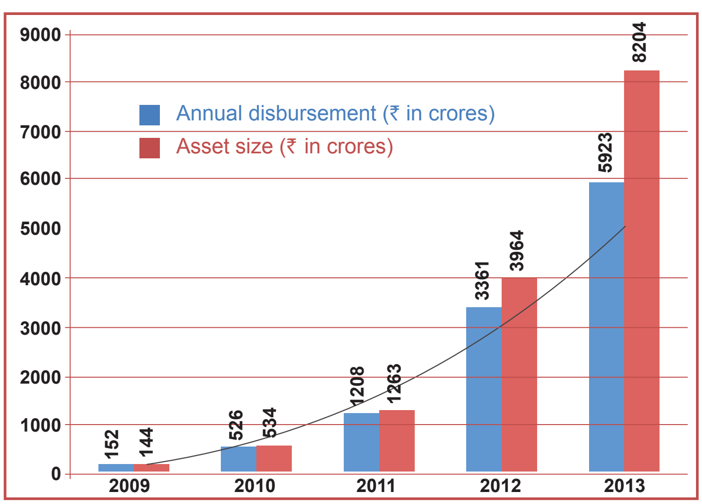


Liability mix as on 31st March 2013



Asset mix as on 31st March 2013





Board of Directors

Mr. G. Subramanian, Chairman
Mr. Kaizad Bharucha
Mr. Anil Jaggia
Mr. G. Ramesh, Managing Director (Appointed w.e.f. 01/07/2012)
Mr. Pralay Mondal (Resigned w.e.f. 02/07/2012)

Auditors

Haribhakti & Co, Chartered Accountants

Registered Office

Radhika, 2nd Floor,
Law Garden Road, Navrangpura,
Ahmedabad - 380 009.

Corporate Office

Madhusudan Estate, Ground floor,
Pandurang Budhkar Marg,
Lower Parel, Mumbai – 400013.

Bankers

Andhra Bank * Bank of India * Bank of Maharashtra * Corporation Bank * HDFC Bank Ltd. * Indus Ind Bank Ltd. * Indian Overseas Bank * Jammu & Kashmir Bank Ltd. * Karnataka Bank * Karur Vysya Bank * Kotak Mahindra Bank * Oriental Bank of Commerce * Punjab National Bank * State Bank of Mysore * State Bank of Bikaner & Jaipur * State Bank of Patiala * South Indian Bank * Syndicate Bank * Union Bank of India * Vijaya Bank * Yes Bank Ltd.

Company Secretary

Mr. Rakesh Pathak

Registrar & Share Transfer Agents

Datamatics Financial Services Limited
A-16 & 17, MIDC Part B Crosslane,
Marol, Andheri (E), Mumbai – 400 093.

Debenture Trustees

IDBI Trusteeship Services Limited
Asian Building, Kamani Marg, Ballard Estate, Mumbai 400038.

6^{th} ANNUAL GENERAL MEETING

Date	:	May 30, 2013
Day	:	Thursday
Time	:	12 noon
Place	:	HDFC Bank House, Final Plot No-287, Ellis Bridge Township Scheme No.3, Navarangpura, Ahmedabad, Gujarat-380009
Book Closure for AGM	:	May 22, 2013 to May 29, 2013 (both days inclusive)

Contents

Directors' Report

The Members
HDB Financial Services Limited

Your Directors have pleasure in presenting the Sixth Annual Report on the business and operations of your company together with the audited accounts for the Financial Year ended March 31, 2013.

FINANCIAL PERFORMANCE

(₹ In Crores)

	2012-13	2011-12
Total Income	963.19	431.76
Total Expenditure	808.79	357.50
Profit/(Loss) before Depreciation & Tax	154.40	74.26
Less: Depreciation	4.27	3.61
Profit before Tax	150.13	70.65
Provision for Taxation	47.68	19.54
Profit / (Loss) after Taxation	102.45	51.11

The Company posted total income and net profit of ₹ 963.19 Crores and ₹102.45 Crores respectively for the financial year ended March 31, 2013 as against ₹ 431.76 Crores and ₹ 51.11 Crores respectively in the previous year. Loan disbursements during the year were ₹ 5922 Crores as against ₹ 3385 Crores in the previous year.

DIVIDEND

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

RATINGS

The Credit Analysis & Research Limited (CARE) and CRISIL Limited (CRISIL) have assigned ratings for the various facilities availed by the Company, details of which are given below:

Facility	CARE	CRISIL
Bank facilities of ₹ 8000 crores	CARE AAA	CRISIL AAA/Stable
Short term debt programme including Commercial paper of ₹ 400 crores	CARE A1+	CRISIL A1+
Non-convertible debenture of ₹ 3000 crores	CARE AAA	CRISIL AAA/Stable
Subordinate bond issue of ₹ 750 crores	CARE AAA	CRISIL AAA/Stable

EMPLOYEES STOCK OPTION SCHEME (ESOS)

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

CAPITAL ADEQUACY

Company's capital adequacy ratio as on March 31, 2013 was 18.34% as against the minimum regulatory requirement of 15% for non-deposit accepting NBFCs.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Macro Economic and Industry Developments

The economic slowdown persisting for last couple of years continued in the year 2012. The economic environment remained subdued for large part of year. Gross Domestic Product (GDP) growth is expected to decline to 5% for the FY 2012-2013 against 6.2% for the previous year. Against the backdrop of high current account deficit (estimated at around 4.2%) and sustained inflation (estimated at over 7%), the Reserve Bank of India has worked towards easing monetary and liquidity conditions in a calibrated manner. This is yet to translate to lower interest rates due to continuing liquidity concerns.

The government had projected a fiscal deficit target of 5.1% of GDP. Revenues were under pressure due to a number of factors including weak economic growth, higher subsidy bill and low receipts from disinvestment initiatives. Government of India has taken a number of steps towards fiscal consolidation such as gradual increase in fuel prices, targeted subsidy through direct cash transfers and allowing Foreign Direct Investment in select sectors. Improvement in investment climate is a pre-requisite for economic recovery. Several measures are expected to be announced that will boost investment, reduce inflation and fiscal deficit.

The economic environment prevailing in the country affected the NBFC sector also. Rainfall has been below normal, particularly in the key months of June and July. This affected sowing and resulted in a lower growth rate of agriculture and allied sectors. Global economic slowdown, depressed sentiments, high interest rates, moderation in credit growth and a deceleration in growth of investment also contributed to the reduction in growth of industrial sector. Lower growth in agriculture, industrial and mining sector has had an adverse impact on the growth of commercial vehicle and equipment segment.

Reserve Bank of India's initiatives of reducing the CRR and Repo rate in the second half of the financial year will certainly help in reducing the liquidity pressure and softening the interest rates and thereby reducing the borrowing cost. The various pro active steps envisaged by the Government will also enable the NBFCs to achieve higher credit growth

Source: Industry reports

Opportunities

Government has announced a number of policy measures to kickstart investments. This includes an investment allowance for manufacturing companies, policy measures for creating affordable housing and addressing requirements of agriculture sector through measures other than price supports. Steps are being taken to address requirements of mining and power generation sectors which will remove supply bottlenecks to a number of sectors. Deepening of financial markets especially the corporate bonds market and attracting foreign long term investment flows for infrastructure projects are likely to happen in future.

Improvement in connectivity to rural areas will result in robustness of demand from semi urban and rural areas. With the government's initiative to boost infrastructure projects, NBFCs can also look for growth in asset financing.

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 and changes in Government policy / regulatory framework could impact the company's operations.

Operations

Loans – The Company offers a range of loan products both in the secured and unsecured categories that fulfills the financial needs of its target segments.

- Unsecured loans – The Loans are in the range of ₹ 100,000 to ₹ 2,000,000. 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 the larger loan requirements or longer repayment requirements. Secured loans are in the range of ₹ 100,000 to ₹ 50,000,000. These loans are

offered as term loans with the maximum tenure at 180 months. These loans are normally offered on a floating rate basis.

The company provides loan against the following collaterals as security for the loans:

- 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 provides facilities for purchase of new and used construction equipments.

Fee Based Products

- Insurance Services

  The Company is a corporate agent for HDFC Standard Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited. The Company sells life and general insurance bundled with its loan as a value-add as well as a standalone product.

BPO Services Business

- BPO services - The Company has a contract with HDFC Bank to run collections call centres and collect overdue from borrowers. The Company has set up call centres across the country with a capacity of over 1700 seats. These centres provide collection services 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.

The company is in the process of expanding capacity for this business and is adding 700 seats to cater to the expected increase in business.

Infrastructure

The Company has 230 branches in 184 cities thus creating the right distribution network to sell its 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 which has call centre now operates from 6 collection 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 has appointed M/s. Contractor, Nayak & Kishnadwala, Chartered Accountants to conduct an internal audit covering all areas of operations 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 2013-14.

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 to ₹ 410.77 Crores from ₹ 410.60 Crores. The company allotted 160150 shares to employees whose shares had vested and option exercised by the employees during the year.

ISSUE OF DEBENTURES AND SUBODINATE BONDS

During the year, HDB raised ₹ 1356 Crores by issue of secured Non-Convertible Debentures ("NCD") on private placement basis. The NCDs are rated "AAA" by CARE and CRISIL, 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 and no interest was due as on March 31, 2013. 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.

During the year company has issued subordinate bonds (Tier II Capital) of ₹ 600 Crores on private placement basis. The subordinate bonds are rated "AAA" by CARE and CRISIL indicating highest degree of safety with regard to timely servicing of financial obligations. The subordinate bonds are issued with a maturity period upto 10 years. The Interest payable thereon would be annual and no interest was due as on March 31, 2013. The company has not received any grievances from the subordinate bond holders. The company has appointed IDBI Trusteeship Services Limited as trustees for the subordinate bonds.

INTERNAL AUDIT AND COMPLIANCE

The Company conducts it's internal audit and compliance functions within the parameters of regulatory framework which 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 an 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 such directions to the Management as necessary / considered appropriate. The company has framed a compliance policy to effectively monitor and supervise the compliance function in accordance with the statutory requirements.

RISK MANAGEMENT AND PORTFOLIO QUALITY

The Company recognizes the importance of risk management and has accordingly invested in appropriate 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 programmes are duly approved before any new product launches and are reviewed regularly. The asset quality of the company continues to remain healthy. The ratio of gross non-performing assets to gross advances and net non performing assets to total assets stood at 0.44% and 0.25% respectively as of March 31, 2013. The specific loan loss provisions that the company has made for its non-performing assets continue to be more conservative than those as prescribed by regulators.

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 talent. The total number of employees was 6404 as on March 31, 2013. During the year, the company put in new training programs for employees with focus on skill development and customer service.

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 during 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. Appropriate accounting policies have been selected and applied consistently and judgments and estimates made 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 Company's 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

During the period under review Mr. Anil Jaggia was appointed as director and Mr. G. Ramesh was appointed as Managing Director of the company.

Mr. Pralay Mondal resigned as director of the company. Your directors would like to place on record their appreciation of the contribution made by Mr. Pralay Mondal during his tenure as director of the company.

Pursuant to provisions of the Companies Act, 1956 and Articles of Association of the company, Mr. G. Subramanian 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, have been our statutory auditors since inception of the company. They will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. However, they are not seeking re-appointment. The Company has also received a letter from BSR & Co., Chartered accountants seeking appointment at the ensuing General Meeting. Members are requested to consider their appointment on remuneration to be decided by the audit committee of the Board.

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 has helped the company to 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
Chairman

Mumbai, April 17, 2013

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

HDB FINANCIAL SERVICES

Annexure I

Information under section 217(2A) of the Companies Act,1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the directors' report for the year ended March 31, 2013.

Employed throughout the year and in receipt of remuneration of not less than ₹ 6,000,000/- per annum

Sr. No	Name of the Employee	Designation	Date of joining	Qualification	Experience	Age	Total (₹)	Last Employment
1	Ramesh G	Managing Director	03/09/07	PDGM, IIM (Lucknow)	21	43	11,241,155	Enam AMC Ltd.
2	Rohit Patwardhan	Head - Risk	10/12/07	PGDM, Symbosis Institute of Management	16	39	7,129,239	Citi Bank
3	Sarabjeet Singh	Business Head - North & East	22/02/08	PGDM, IMT, Ghaziabad	17	41	6,097,748	GE Money

There were no employees who were employed for part of the year and drawing remuneration of more than ₹ 500,000 per month

1. Gross remuneration comprises salary, medical reimbursement, leave travel concession, housing, company's contribution to provident fund, pension and gratuity fund, monetary value of other perquisites computed on the basis of the Income Tax Act and Rules, leave encashment and performance bonus.

2. All appointments were made in accordance with the terms and conditions as per company rules.

3. None of the above employee is a relative of any director of the Company.

CORPORATE GOVERANCE REPORT

1. Company's philosophy on Corporate 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 4 directors. The Board comprises of one executive and three 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 Information Technology.

The details of the directors as at March 31, 2013 including the details of their other board directorship and their shareholdings are given below:

Name of the Director	Executive/Non-Executive/ Independent/Promoter	No. of Directorship	No. of shares held in the Company
Mr. G. Subramanian	Non-executive Director	3	100,000
Mr. Kaizad Bharucha	Non-executive Director	2	164,183
Mr. Anil Jaggia	Non-executive Director	Nil	Nil
Mr. G. Ramesh	Executive Director	Nil	152,500

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 Annual General Meeting are given as below

Name of Directors and Number of meetings attended						
Type of meeting	No of meetings held	Mr. G. Subramanian	Mr. Kaizad Bharucha	Mr. Anil Jaggia	Mr. G. Ramesh	Mr. Pralay Mondal
Board	4	4	4	4	2	0
Audit Committee	4	4	2	4	NA	0
Asset-Liability Management Committee	4	4	4	NA	2	0
Bond Allotment	3	3	2	NA	2	0
Compensation Committee	1	1	NA	NA	NA	1
Debenture Allotment Committee	13	12	10	NA	10	2
Nomination Committee	1	1	NA	0	NA	1
Risk Committee	4	4	4	NA	2	0
Share Allotment Committee	2	2	1	NA	1	0
Attendance at last AGM	1	Yes	No	No	Yes	No
Attendance at EGM	1	Yes	No	No	Yes	No

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

3. **General Body meetings (2012-13)**

Meeting	Date and Time	Venue	Resolutions passed
AGM	14/06/2012 12 noon	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 2012 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. Kaizad Bharucha as Director iv. To re-appoint M/s. Haribhakti & Co., Chartered Accountants as Statutory Auditor v. Appointment of Mr. Anil Jaggia as a Director of the Company vi. Appointment of Mr. G. Subramanian as non-executive Chairman of the Company
EGM	30/08/2012 11.00 a.m.	Madhusudan Estate, Ground Floor, Pandurang Budhkar Marg, Lower Parel (West), Mumbai 400 013	i. Appointment of Mr. G. Ramesh as a Director of the Company ii. Appointment of Mr. G. Ramesh as Managing Director of the Company

4. **Shareholding pattern as at 31.03.2013**

Name of Shareholders	Shares held	%
HDFC Bank Ltd	40,00,00,000	97.38%
Others	10,765,750	2.62%
Total (Issued & Paid-up Shares)	**410,605,600**	**100.00%**

Independent 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, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended 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 required that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements were 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.

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, 2013;

(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, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, 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 17, 2013

Annexure to Independent 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, 2013]

(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, during the year, there have been no 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.

(b) Since there have been no transactons made in pursuance of such contracts or arrangement in respect of any one such party during the year, this clause is not applicable.

(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. However, the company is generally regular in deposting profession tax.

(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) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial 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 debentures of ₹ 1,356 crores. 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 explanation and information given to us, two instances of fraud on the Company were identified and reported during the year. We have been further informed that the frauds on the Company were mainly related to falsification of loan/valuation documents relating to loan products – Gold and Commercial Vehicle aggregating to a sum of ₹ 0.33 crores.

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

Rakesh Rathi
Partner
Membership No. 45228

Place : Mumbai
Date : April 17, 2013

Balance Sheet

(₹ in Crores)

Particulars	Note No.	As at March 31, 2013	As at March 31, 2012
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	410.77	410.61
(b) Reserves and surplus	3	462.76	360.17
(A)		**873.53**	**770.78**
2 Non-current liabilities			
(a) Long-term borrowings	4	5,055.37	1,784.75
(b) Other long term liabilities	5	42.24	13.06
(c) Long-term provisions	6	59.94	32.35
(B)		**5,157.55**	**1,830.16**
3 Current liabilities			
(a) Short-term borrowings	7	150.00	50.00
(b) Trade payables	8	17.81	11.17
(c) Other current liabilities	9	2,027.00	1,327.45
(d) Short-term provisions	6	186.44	78.53
(C)		**2,381.25**	**1,467.14**
TOTAL(A+B+C)		**8,412.32**	**4,068.08**
II. ASSETS			
1 Non-current assets			
(a) Fixed assets	10		
(i) Tangible assets		19.52	11.57
(ii) Intangible assets		0.62	0.17
(iii) Capital work-in-progress		-	0.11
(b) Non-current investments	11	2.55	3.50
(c) Deferred tax assets (net)	12	32.87	14.17
(d) Long - term loans & advance :			
- Receivables under financing activity	13	6,203.95	3,081.24
- Others	14	4.83	3.67
(D)		**6,264.35**	**3,114.42**
2 Current assets			
(a) Current investments		-	-
(b) Trade receivables	15	11.95	4.84
(c) Cash and cash equivalents	16	11.56	17.64
(d) Short-term loans and advances			
- Receivables under financing activity	14	1,999.72	884.80
- Others	17	116.32	45.52
(e) Other current assets		8.42	0.86
(E)		**2,147.97**	**953.66**
TOTAL (D+E)		**8,412.32**	**4,068.08**
Significant Accounting Policies Notes to Accounts form an integral part of Financial Statements			

As per our report of even date

For Haribhakti & Co.
Chartered Accountants

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: April 17, 2013

For and on behalf of the Board

G Subramanian
Chairman

Kaizad Bharucha
Director

G Ramesh
Managing Director

Anil Jaggia
Director

Rakesh Pathak
Company Secretary

Haren Parekh
Head Finance

Profit and Loss Account

HDB FINANCIAL SERVICES

(₹ in Crores)

Particulars		Note No.	For the year March 31, 2013	For the year March 31, 2012
I.	Revenue from operations	18	961.75	431.13
II.	Other income	19	1.43	0.63
III.	**Total Revenue (I + II)**		**963.19**	**431.76**
IV.	Expenses:			
	Employee benefits expense	20	160.61	100.34
	Finance costs	21	511.40	169.69
	Depreciation and amortization expense	11	4.27	3.61
	Administrative & other expenses	22	74.24	47.55
	Provisions & write offs	23	52.26	33.09
	Contingent provision against Standard assets		10.28	6.84
	Total expenses		**813.05**	**361.12**
V.	**Profit before tax (III-IV)**		**150.13**	**70.65**
VI.	Tax expense:			
	a. Current tax		66.48	33.52
	b. Deferred tax expense/(credit)		(18.70)	(14.17)
	c. Income tax for earlier years		(0.10)	0.19
	Total tax expense		**47.68**	**19.54**
VII.	**Profit after tax for the year**		**102.45**	**51.11**
VIII.	Earnings per equity share:	24		
	(1) Basic		2.49	1.25
	(2) Diluted		2.49	1.25
	Face value per share (₹)		10	10
	Significant Accounting Policies			
	Notes to Accounts form an integral part of Financial Statements	1		

As per our report of even date

For Haribhakti & Co.
Chartered Accountants

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: April 17, 2013

For and on behalf of the Board

G Subramanian
Chairman

Kaizad Bharucha
Director

G Ramesh
Managing Director

Anil Jaggia
Director

Rakesh Pathak
Company Secretary

Haren Parekh
Head Finance

Note 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, collection & insurance services.

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 that 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 Indian 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 as standard, sub - standard and non - performing assets as per the company policy approved by the Board which are more stringent than the relevant RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognized in the Statement of Profit and Loss until received.

ii. Fixed Assets and Depreciation

Tangible Fixed asset

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% per annum.
- Immovable Property @ 1.63% per annum
- Motors cars @ 20% per annum
- Furniture & fixtures @ 9.5% 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.

Intangible asset

Software and System development expenditure are capitalised at cost of acquisition including cost attributable to bring the same in working condition & the depreciation is charged @ 33.33%

per annum on straight-line basis. Any expenses on such software for support and maintenance payable annually are charged to statement of Profit & Loss.

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 Statement of Profit and Loss. 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 are expected to mature after twelve months are taken as non current/ long term investment & are stated at cost. Provisions are made only in case of diminution, which are not temporary in nature, in the value of Investment. Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. All other investment are taken as Current investments/short term and are valued at lower of cost and net realizable value.

v. Employee Benefits

<u>Short term employee benefits</u>

Short term employees benefits are recognized as an expense at the undiscounted amounts in the Statement of Profit and Loss for the year in which the related services are rendered.

<u>Long term employee benefits</u>

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 Statement of Profit and Loss.

b) Provident fund

In accordance with the applicable 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. Since it is a defined contribution plan, the contributions are accounted for on an accrual basis and recognized in the Statement of Profit and Loss.

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 Statement of Profit and Loss over the lease term in accordance with 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. In case of Non Performing Assets interest income is recognised upon realisation as per the RBI Guidelines. Interest accrued and not realised before the classification of the asset as an NPA is reversed and credited to the interest suspense account.

- BPO Services and other financial charges are recognised 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 recognised in the Statement of Profit and Loss when the right to receive is established.
- Gains arising on assignment of assets are not recognised due to uncertainity over future receivables & principle of conservatism ,while loss, if any is recognised upfront. Gain arising on securitisation transaction is recognised as per RBI Guidelines.

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 recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date. Deferred Tax Asset & Liability are netted off and disclosed in the balance sheet under the Head “Deferred Tax Asset / Liability”.

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 recognised 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 recognised in the period in which the change occurs.

xi. Interest on borrowings:

Interest on borrowings is recognised in Statement of Profit and Loss on an accrual basis. Costs associated with borrowings are grouped under financial charges along with the interest costs. 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.

Note 2 : Share Capital

(₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
Authorised		
1,000,000,000 (1,000,000,000) Equity Shares of ₹10 each	1,000.00	1,000.00
Issued, Subscribed & Paid up		
410,765,750 (410,605,600) Equity Shares of ₹ 10 each fully paid	410.77	410.61
Total	**410.77**	**410.61**

2.1 Reconciliation of the number of shares

Particulars	As at March 31, 2013		As at March 31, 2012	
	Number	(₹ in Crores)	Number	(₹ in Crores)
Equity shares of ₹ 10 fully paid up				
Shares outstanding at the beginning of the year	410,605,600	410.61	410,264,000	410.26
Shares Issued during the year - ESOS	160,150	0.16	341,600	0.34
Shares outstanding at the end of the year	**410,765,750**	**410.77**	**410,605,600**	**410.61**

2.2 Terms/rights attached to equity shares.

The company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in annual general meeting is paid in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining asset of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

2.3 Name of Shareholder holding more than 5% of total shares outstanding

Particulars	As at March 31, 2013		As at March 31, 2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity shares of ₹ 10 fully paid up HDFC Bank Limited (Holding company)	400,000,000	97.38	400,000,000	97.42

2.4 Number of Shares reserved for ESOS

Particulars	As at March 31, 2013	As at March 31, 2012
Equity shares of ₹ 10 fully paid up		
Number of Shares reserved for ESOS	903,750	422,900

HDB FINANCIAL SERVICES

Note 3 : Reserves & Surplus (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
a. Share Premium Account		
Opening Balance	296.22	296.16
Add : Received during the year	0.14	0.06
Closing Balance	**296.35**	**296.22**
b. Statutory Reserve u/s 45 IC(1) of Reserve bank of india Act, 1934		
Opening Balance	15.55	5.30
Add : Set aside during the year	20.50	10.25
Closing Balance	**36.05**	**15.55**
c. Surplus		
Opening balance	48.41	7.55
Add : Net Profit for the current year	102.45	51.11
Less :Transfer to Statutory Reserves u/s 45 IC of RBI Act 1934	20.50	10.25
Less : Proposed dividend	-	-
Less : Provision for dividend tax on dividend	-	-
Closing Balance	**130.36**	**48.41**
Total	**462.76**	**360.17**

Note 4 : Long Term Borrowings (₹. in Crores)

Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Secured				
(a) Privately placed redeemable non convertible debenture (Refer Note 4.3) Secured by pari passu charge by mortgage of company's Office no 130, 2nd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing acitivty.	1,734.00	438.00	60.00	-
Less : Shown under other current liabilities. (Refer Note 8)	-	-	60.00	-
Total (A)	**1,734.00**	**438.00**	**-**	**-**
(b) Term loans from banks against hypothecation of Receivables under financing activity (Refer Note 4.2, 4.4)	2,721.37	1,346.75	1,888.14	1,199.52
Less : Shown under other current liabilities. (Refer Note 9)	-	-	1,888.14	1,199.52
Total (B)	**2,721.37**	**1,346.75**	**-**	**-**
Unsecured				
Privately placed subordinated (Tier II) redeemable bonds Face value of ₹ 0.10 crores each (Refer Note 4.5)	600.00	-	-	-
Total (C)	**600.00**	**-**	**-**	**-**
Total (A+B+C)	**5,055.37**	**1,784.75**	**-**	**-**

4.1 No term loans, non convertible debentures, surbodinate debts, commercial paper and any other borrowing is guaranteed by directors and / or others.

4.2 Non current portion of term loans taken from related parties is ₹ 330.90 crores (Previous year ₹ 263.67 crores).

4.3 Terms of repayment of privately placed redeemable non convertible debenture.

(₹. in Crores)

				Non Current	
Rate of interest	**Maturity Month**	**Face value of ₹ 0.05 crore**	**Face value of ₹ 0.10 crore**	**As at March 31, 2013**	**As at March 31, 2012**
9.33%	Jan-18	-	50.00	50.00	-
9.39%	Jan-18	-	50.00	50.00	-
9.95%	Jan-17	135.00	-	135.00	135.00
9.71%	Sep-17	150.00	-	150.00	-
10.00%	Sep-17	221.00	-	221.00	-
10.10%	Jun-17	90.00	-	90.00	-
9.90%	Apr-17	45.00	-	45.00	-
9.45%	Apr-16	62.00	-	62.00	-
9.55%	Sep-15	-	142.00	142.00	-
9.36%	Jan-16	-	50.00	50.00	-
9.50%	Dec-15	-	100.00	100.00	-
9.43%	Oct-15	150.00	-	150.00	-
9.85%	Jul-15	100.00	-	100.00	-
9.85%	Jun-15	50.00	-	50.00	-
9.90%	Mar-15	56.00	-	56.00	-
9.95%	Mar-15	25.00	-	25.00	25.00
9.78%	Feb-15	15.00	-	15.00	15.00
9.80%	Feb-15	30.00	-	30.00	30.00
10.00%	Dec-14	58.00	-	58.00	58.00
10.30%	Sep-14	90.00	-	90.00	90.00
9.63%	Jun-14	-	40.00	40.00	-
9.95%	Apr-14	25.00	-	25.00	25.00
10.25%	Nov-13	60.00	-	-	60.00
	Total	**1,362.00**	**432.00**	**1,734.00**	**438.00**

4.3.1 All the above non convertible debentures are secured by specific charge on receivables under financing activities. Security cover of 1.1 times is always provided.

HDB FINANCIAL SERVICES

4.4 Terms of repayment of Term loans. (₹. in Crores)

Rate of interest	Remaining Maturity	Remaining Quarterly Instalments payable	Non Current As at March 31, 2013
Base rate	1-2 years	6	22.46
Base rate	3-5 years	12	116.66
Base rate Plus (0.10% to 1.50%)	1-2 years	5	7.50
----"----	1-2 years	6	79.98
----"----	1-2 years	7	60.00
----"----	1-2 years	8	595.12
----"----	2-3 years	9	222.89
----"----	2-3 years	10	160.00
----"----	2-3 years	11	334.83
----"----	2-3 years	12	133.34
----"----	3-5 years	12	816.71
----"----	3-5 years	15	61.88
----"----	3-5 years	16	45.00
----"----	3-5 years	17	65.00
Total			**2,721.37**

4.4.1 All the above Term loans are secured by specific charge on receivable under financing activities. Security cover of 1.1 times is always provided.

4.5 Terms of repayment of Privately placed unsecured subordinated (Tier II) redeemable bonds.

(₹. in Crores)

Rate of interest	Maturity Month	Non Current	
		As at March 31, 2013	As at March 31, 2012
9.60%	March-23	200.00	-
9.70%	November-22	150.00	-
10.20%	August-22	250.00	-
Total		**600.00**	-

Note 5 : Other Long Term Liabilities (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
Deposits (not as defined in Section 58A of Companies Act, 1956)	9.75	9.75
Interest accrued but not due on Non Convertible Debenture	30.22	1.87
Other payable	2.27	1.45
Total	**42.24**	**13.06**

Note 6 : Long Term & Short Term Provision. (₹. in Crores)

Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
(a) Provision for employee benefits				
- Gratuity (unfunded)	0.44	0.32	-	-
- Compensated absence (unfunded)	1.05	0.93	-	-
- Salary, bonus & reimbursements	-	-	16.14	9.61
- Contribution to provident fund	-	-	1.14	0.39
(b) Others				
- Provision for doubtful debts (Refer Note 6.1, 6.3)	-	-	15.70	1.91
- Provisions for tax	-	-	109.00	44.90
- Provision for expenses	-	-	25.96	12.82
- Contingent provision against Standard assets (Refer Note 6.2)	15.40	7.78	4.88	2.22
- Floating provisions (Refer Note 6.2)	43.05	23.33	13.63	6.67
Total	**59.94**	**32.35**	**186.44**	**78.53**

6.1 The company assesses all receivables for their recoverability and accordingly makes provision for non performing & doubtful assets as per approved company policies & guidelines. The company ensures provisions made are not lower than stipulated by Reserve Bank guidelines.

6.2 The company provides 0.25% on standard assets as stipulated by Circular No. DNBS.PD.CC.No.207/ 03.02.002 /2010-11 dated January 17, 2011 issued by Reserve Bank of India under the head "Contingent Provision against Standard Assets" . The company has also made additional provision on standard assets under the head "Floating provisions".

6.3 Movement in Provision for doubtful debts is as under: (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
Opening Balance (A)	1.91	1.94
Recoveries from doubtful assets	(0.78)	(0.58)
Transferred to loans written off	(0.95)	(1.13)
Net Additions during the year	15.52	1.68
Provisions created/(released) for non performing assets (B) (Refer note 23)	13.79	(0.03)
Closing balance (A+B)	**15.70**	**1.91**

Note 7 : Short Term Borrowings (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
Unsecured (Refer 4.1)		
Commercial paper	150.00	50.00
Total	**150.00**	**50.00**

Note 8 : Trade Payables (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
Sundry creditors	17.81	11.17
Total	**17.81**	**11.17**

8.1 Trade payables includes ₹ Nil (Previous year ₹ Nil) payable to “Suppliers” registered under the Micro, Small & Medium enterprises development Act, 2006 (MSME). No Interest has been paid / payable by the company during the year to the “Suppliers” covered under MSME. The above information takes into account only those suppliers who have responded to inquiries made by the company for this purpose.

Note 9 : Other Current Liabilities (₹. in Crores)

Particulars		As at March 31, 2013	As at March 31, 2012
(a)	Current maturities of Term loans from banks (Refer note 4)	1,948.14	1,199.52
(b)	Other payables		
	Overdrawn balances in current account with banks	-	116.20
	Statutory Liabilities	1.70	1.60
	Interest accrued but not due on Non Convertible Debenture	74.21	8.13
	Creditors for other expenses (Refer note 8.1)	2.95	1.99
Total		**2,027.00**	**1,327.45**

9.1 Creditors for other expenses payable to “Suppliers” registered under the Micro, Small & Medium enterprises development Act, 2006 (MSME) are mentioned under note 34 . No Interest has been paid by the company during the year to the “Suppliers” covered under MSME. The above information takes into account only those suppliers who have responded to inquiries made by the company for this purpose.

Note 10 : Fixed asset (₹. in Crores)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Balance as as at April 1, 2012	Additions during the year	Disposal during the year	Balance as at March 31, 2013	Balance as at April 1, 2012	Depreciation charge for the year	On disposals	Balance as at March 31, 2013	Balance as at March 31 2013	Balance as at March 31, 2012
Tangible Assets										
Office Equipment (Refer note 10.1)	3.90	1.85	-	5.75	1.47	1.05	-	2.52	3.24	2.44
Furniture and Fixtures	4.79	3.21	-	8.00	1.72	1.00	-	2.73	5.28	3.07
Leasehold Improvements	6.92	4.90	0.05	11.77	1.78	1.16	0.03	2.91	8.86	5.14
Computers Hardware (Refer note 10.1)	3.17	1.64	-	4.81	2.50	0.74	-	3.24	1.57	0.67
Office Premises	0.15	-	-	0.15	-	-	-	-	0.15	0.15
Vehicle	0.11	0.40	-	0.51	-	0.07	-	0.07	0.44	0.10
Sub-total (a)	19.04	12.00	0.05	31.00	7.48	4.02	0.03	11.47	19.52	11.57
Intangible Assets										
Computer Software	2.64	0.69	-	3.33	2.47	0.24	-	2.71	0.62	0.17
Sub-total (b)	2.64	0.69	-	3.33	2.47	0.24	-	2.71	0.62	0.17
Capital work in progress	0.11	(0.11)	-	-	-	-	-	-	-	0.11
Sub-total (c)	0.11	(0.11)	-	-	-	-	-	-	-	0.11
Total (a+b+c)	21.79	12.59	0.05	34.33	9.95	4.27	0.03	14.18	20.14	11.84
Previous Year	16.53	5.26	-	21.79	6.33	3.61	-	9.95	11.84	10.19

10.1 UPS (uniterrupted power system) & Batteries are used exclusively for running computer hardwares. On basis of past experience & relevant income tax case laws, UPS & Batteries grouped under “Office Equipment “ till March 31, 2012 is regrouped under “Computer hardware” from April 1, 2012 .The depreciation rate claimed on UPS has being revised from 16.21% to 33.33% & in case of Batteries it has been revised from 16.21% to 50%, from the put to use date. Due to this, the impact is an increase of ₹ 0.22 crores in current year depreciation which has been debited to statement of profit and loss for the year.

Note 11 : Non current investment (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
Non trade investment (valued at cost unless stated otherwise)		
Pass through certificates for securitisation of asset pool (A)		
(Face value ₹ 0.57 crores)	0.57	-
Unquoted Equity shares of Vayana Enterprises Private Limited	3.50	3.50
10,44,776 shares of ₹ 10 each fully paid up (previous year 10,44,776 shares of ₹ 10 each fully paid up)		
Less - Provision for dimunition in the value of investments in Vayana Enterprises Private Limited	1.51	-
Net investment value in Vayana Enterprises Private Limited (B)	1.99	3.50
Total (A+B)	**2.55**	**3.50**

Note 12 : Deferred Tax Asset (Net) (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
Deferred Tax Asset		
Depreciation & amortisation	0.51	0.27
Provision for compensated Absences	0.36	0.30
Provision on standard asset	6.89	3.24
Floating provision	19.26	9.73
Provision on non performing asset	5.34	0.62
Provision for dimunition of investment	0.51	-
Gross deferred tax asset (A).	32.87	14.17
Deferred Tax Liability		
Gross Deferred Tax Liability (B).	-	-
Total (A-B)	**32.87**	**14.17**
Movement in Net deferred tax asset during the year	**18.70**	**14.17**

Note 13 : Receivables under Financing Activity (₹. in Crores)

Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Secured (Refer note 13.2,13.4)	5,757.79	2,801.64	1,527.28	604.63
Unsecured	446.16	279.60	436.66	276.85
Doubtful (Refer note 13.3)	-	-	35.77	3.32
Total	**6,203.95**	**3,081.24**	**1,999.72**	**884.80**

13.1 Receivables under financing activity represent principal and accrued interest income outstanding at the close of the year net off amounts written off.

13.2 Secured against the equitable mortgage of property and/or pledging of shares, units, other securities assignment of life insurance policies and / or hypothecation of assets (including commercial vehicles & construction equipments) and / or company guarantees or personal guarantees.

13.3 Refer to note 6.3 for the provisions made on doubtful assets.

Note 14 : Loans & Advances. (₹. in Crores)

Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
a. Capital advances	0.72	0.66	-	-
b. Security deposits (Unsecured, considered good)	4.11	3.01	-	-
c. Advances recoverable in cash or in kind (Unsecured, considered good)	-	-	0.93	0.56
d. Advance tax & tax deducted at source	-	-	115.40	44.96
Total	**4.83**	**3.67**	**116.32**	**45.52**

Note 15 : Trade Receivables & other current assets. (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
Trade receivables		
a. Trade receivables (Refer note 15.1)	11.95	4.84
Total	**11.95**	**4.84**

15.1 Nothing in trade receivables is above six months in current and previous year.

Note 16 : Cash and Cash Equivalents. (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
a. Balances with banks	1.27	12.56
b. Demand drafts on hand	0.20	-
c. Cash on hand	3.28	0.54
d. Deposits with bank (Refer note 16.1, 16.2)	6.81	4.55
Total	**11.56**	**17.64**

16.1 Includes Deposits of ₹ 6.81 crores (previous year ₹ 4.55 crores) is earmarked for assignment/securitisation transaction.

16.2 Includes Deposits of ₹ 4.55 crores (previous year ₹ 4.55 crores) maturing in less than one year.

Note 17 : Other current assets (₹. in Crores)

Particulars	As at March 31, 2013	As at March 31, 2012
a. Interest accrued but not due on fixed deposit	0.01	0.01
b. Unmatured discount on commercial paper	8.41	0.85
Total	**8.42**	**0.86**

Note 18 : Revenue from operations (₹. in Crores)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Interest income (TDS ₹ 1.79 crores & Previous Year ₹ 0.27 crores)	824.25	344.71
Other financial charges	83.11	44.40
BPO services income	54.39	42.03
Total	**961.75**	**431.13**

Note 19 : Other income (₹. in Crores)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Gain on sale of current investment	1.43	0.02
Dividend on non trade investments	-	0.61
Total	**1.43**	**0.63**

Note 20 : Employee benefits expense (₹. in Crores)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Salaries and wages (including bonus)	148.65	92.18
Contribution to provident and other funds	9.53	6.35
Staff welfare expenses	2.43	1.81
Total	**160.61**	**100.34**

Note 21 : Finance costs (₹. in Crores)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Interest expense	489.54	149.43
Discount on commercial paper	15.01	15.95
Other borrowing costs	6.85	4.01
Interest on delayed income tax payment	-	0.30
Total	**511.40**	**169.69**

Note 22 : Administrative & other expenses (₹. in Crores)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Rent [net of sub lease rent received ₹ 0.08 crores (Previous year ₹ 0.05 crores)]	9.11	6.20
Rates & taxes	0.05	0.02
Telephone	3.49	2.93
Power & fuel	3.64	2.24
Repairs & maintenance- Premises	0.18	0.16
Repairs & maintenance-Machinery	0.32	0.20
Credit report charges	8.63	4.56
Auditor’s remuneration	0.20	0.11
Insurance	0.16	0.05

(₹. in Crores)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Commission & brokerage	30.31	17.50
Loss on sale of asset	0.02	-
Others administrative expenses	18.13	13.58
Total	**74.24**	**47.55**

Note 23 : Provisions & Write Offs (₹. in Crores)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
General provision	26.67	26.84
Provisions created/(released) for non performing assets (Refer Note 6.3)	13.79	(0.02)
Write offs (net of recovery ₹ 3.09 crores & Previous year ₹ 3.53 crores)	10.29	6.27
Provision in dimunition of investment	1.51	-
Total	**52.26**	**33.09**

Note 24 : Earning per share

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Net Profit/Loss (₹.in crores)	102.45	51.11
Weighted average number of equity shares		
Basic	410,668,584	410,434,637
Diluted	410,668,584	410,434,637
Earnings per share (₹)		
Basic	2.49	1.25
Diluted	2.49	1.25
Face value per share (₹)	10	10

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	2012-13	2011-12
CRAR%	18.34%	19.94%
CRAR - Tier I Capital %	10.11%	18.94%
CRAR - Tier II Capital %	8.23%	1.00%

Note 26 : Exposure to Real Estate Sector (₹. in Crores)

Categories	2012-13	2011-12
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;	3,433.35	1,529.36
ii. Commercial Real Estate - (Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises,	1,216.82	640.95

(₹. in Crores)

Categories	2012-13	2011-12
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)		
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).	-	-

Note 27. Maturity pattern of certain items of assets and liabilities (₹. in Crores)

Particular	2012-13		2011-12	
	Assets	**Liabilities**	**Assets**	**Liabilities**
1 day to 30/31 days	146.40	30.68	66.19	2.50
Over one month to 2 months	154.25	176.57	71.61	100.74
Over 2 months upto 3 months	157.38	192.20	72.31	191.50
Over 3 months to 6 months	551.42	539.54	218.92	329.58
Over 6 months to 1 year	986.56	1,177.30	453.85	625.12
Over 1 year to 3 years	3,065.07	3,456.43	1,512.40	1,571.46
Over 3 years to 5 years	1,456.04	930.79	725.74	213.37
Over 5 years	1,686.56	650.00	843.10	-
Total	**8,203.68**	**7,153.51**	**3,964.13**	**3,034.27**

Note 28. Segment Reporting

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

Particulars	2012-13	2011-12
i. Segment Revenue		
Lending business	907.34	388.94
BPO services	54.39	42.03
Unallocated	1.43	0.80
Total	963.17	431.76
Less: Inter Segment Revenue	-	-
Income from Operations	963.17	431.76
ii. Segment Results		
Lending business	156.87	75.98
BPO services	7.17	5.13
Unallocated	(13.91)	(10.46)
Total profit before tax	**150.13**	**70.65**
Income Tax expenses		
Current tax	(66.48)	(33.52)
Deferred tax asset	18.70	14.17

Particulars	2012-13	2011-12
Income tax for earlier years	0.10	(0.19)
Net Profit	102.45	51.11
iii. Capital Employed		
Segment assets		
Lending business	8,243.44	3,988.23
BPO services	16.27	10.52
Unallocated	152.61	67.42
Total Assets	8,412.32	4,066.17
Segment liabilities		
Lending business	7,395.93	3,225.07
BPO services	11.12	10.67
Unallocated	131.74	59.66
Total Liabilities	7,538.79	3295.39
Net Segment assets / (liabilities)	873.57	770.78
Lending business	847.53	763.16
BPO services	5.16	(0.15)
Unallocated	20.87	7.76
iv. Capital		
Lending business	11.34	5.02
BPO services	0.62	0.09
Unallocated	0.74	0.16
Total	12.69	5.26
v. Depreciation		
Lending business	2.76	2.19
BPO services	1.21	1.14
Unallocated	0.30	0.29
Total	4.27	3.61
vi. Non performing asset & Write offs		
Lending business	24.07	6.25
Unallocated	1.51	-
Total	25.58	6.25

A **Primary Segment**

a) **Business Segment**

Segment identified by the company comprises as under:

i. BPO services

ii. Lending services

b) Segment Revenue & Expense

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 & 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 items of revenue and expenditure in individual segments.

Note 29. AS - 15 Disclosure

A) Defined Contribution Plan

The contribution made to various statutory funds is recognised as expense and included in “Payments to and Provision for Employees” in Statement of Profit and Loss. The details are as follows.

(₹. in Crores)

Particulars	Current Year	Previous Year
Provident Fund	5.99	3.59
Employee State Insurance Corporation (ESIC)	2.91	2.00

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 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, 2013 (₹. in Crores)

Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
Benefit obligation as at 1st April,	0.85	0.52	0.19	0.13	-
Current service cost	0.47	0.30	0.21	0.11	0.09
Past service cost	-	-	-	-	-
Interest cost	0.07	0.04	0.01	0.01	-
Actuarial losses/ (Gains)	(0.04)	(0.02)	0.11	(0.06)	0.04
Benefits paid	-	-	-	-	-
Benefit obligation as at 31st March	1.35	0.85	0.52	0.19	0.13
Fair value of plan assets as at 1st April	0.54	0.19	0.14	0.07	-
Expected returns on plan assets	0.06	0.03	0.01	0.01	-
Employer’s contribution	0.32	0.33	0.04	0.06	0.06

Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
Benefits paid	-	-	-	-	-
Actuarial gains/ (losses)	-	(0.01)	(0.01)	-	-
Fair value of plan assets as at 31st March	0.91	0.54	0.19	0.14	0.07
Balance Sheet recognition					
Present value of obligation	1.35	0.85	0.52	0.19	0.13
Fair value of planned asset	(0.91)	(0.54)	(0.19)	(0.14)	(0.07)
Liability (Asset)	0.44	0.32	0.33	0.04	0.06
Unrecognised past service cost	-	-	-	-	-
Liability (Asset) recognised in the Balance Sheet	0.44	0.32	0.33	0.04	0.06
Profit and Loss (Expenses)					
Current service cost	0.47	0.30	0.21	0.11	0.09
Past service cost	-	-	-	-	-
Interest on obligation	0.07	0.04	0.02	0.01	-
Expected return on plan assets	(0.06)	(0.03)	(0.01)	(0.01)	-
Net actuarial losses/ (gains) recognised in the year	(0.04)	-	0.11	(0.06)	0.04
Expenses recognised in the Statement of profit and loss	0.44	0.32	0.33	0.04	0.12
Actual return on planned assets					
Expected return on planned assets	0.06	0.03	0.01	0.01	-
Actuarial gain (loss) plan assets	-	(0.01)	(0.01)	-	-
Actual return on plan assets	0.06	0.02	0.01	0.01	-
Movement in the net Liability recognised in the Balance Sheet					
Opening net liability	0.32	0.33	0.04	0.06	0.12
Expenses	0.44	0.32	0.33	0.04	(0.06)
Contribution	(0.32)	(0.33)	(0.04)	(0.06)	-
Closing net liability	0.44	0.32	0.33	0.04	0.06
Assumptions (p.a.)					
Discount rate	8.00%	8.28%	8.20%	8.40%	8.00%
Future salary increase (%)					
General staff	5.00%	5.00%	5.00%	5.00%	10.00%
Others	5.00%	5.00%	5.00%	5.00%	2.00%
Expected rate of return on plan assets	8.00%	8.00%	8.00%	8.00%	8.00%

Actuarial (gain) loss on Obligation	Mar-13	Mar-12	Mar-11	Mar-10	Mar-09
Experience adjustment	(0.17)	(0.01)	0.31	(0.04)	-
Assumption change	0.13	-	(0.21)	(0.02)	-
Total	(0.04)	(0.02)	0.11	(0.06)	-

Actuarial (gain) loss on Plan Assets	Mar-13	Mar-12	Mar-11	Mar-10	Mar-09
Experience adjustment	-	(0.01)	(0.01)	-	-
Assumption change	-	-	-	-	-
Total	-	(0.01)	(0.01)	-	-

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.

Note 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.

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

Key Management Person: Mr. G Ramesh (Managing Director) (w.e.f. 1st July, 2012)

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

Details of Related Party Transactions for the Year: (₹. in Crores)

Related Party	Nature of Relationship	Nature Of Transaction	2012-13	2011-12
		Transactions During the Year		
HDFC Bank Ltd	Holding company	Tele collection charges/field collection charges received / recoverable for collection services rendered	61.11	46.36
		Expenses recoverable for expenses incurred on behalf of HDFC bank	-	0.03
		Term loan availed during the year	400.00	300.00
		Term loan paid during the year	274.51	193.15
		Interest paid on term loan & OD account	55.61	45.52
		Interest received on fixed deposits	0.71	0.18
		Rent paid for premises taken on sub-lease	0.51	0.58
		Fixed deposits placed	6.81	4.55
		Investment banking fees paid	2.29	2.23
		IPA charges	0.01	0.01

(₹. in Crores)

Related Party	Nature of Relationship	Nature Of Transaction	2012-13	2011-12
		Locker rent	-	-
		Bank charges	0.64	0.36
		Office premises purchase	-	0.14
		Assignment transaction / securitisation	28.28	28.40
		Recruitment expense paid	-	0.01
HBL Global Pvt. Ltd.	Entities under common control	Rent received/receivable for premises given on sub-lease	0.06	0.03
		Equipment hire charges paid	0.10	0.10
		Rent paid	0.26	0.26
HDFC Securities Ltd.	Entities under common control	Expenses recoverable	0.02	0.02
		Expenses payable	0.04	0.03
		Rent received/receivable from HDFC Securities for premises given on sub-lease	0.02	0.02
G Ramesh	Key Management Person	Salary & allowances	0.65	-
Vinod Yennemadi	Key Management Person	Professional fees	-	0.13
Balance as on 31.3.2013				
HDFC Bank Ltd	Holding Company	Term loan outstanding	643.71	518.22
		Security deposit	9.75	9.75
		Balance in current accounts	1.26	103.71
		Balance receivable	11.31	4.25
		Assignment transaction / securitisation	48.07	28.40
HBL Global Pvt Ltd.	Entities under common control	Balance payable	0.03	-
HDFC Securities Ltd.	Entities under common control	Balance receivable	-	-

Note 31 Operating Lease

i. Future Lease Rental payments

(₹. in Crores)

Period	2012-13	2011-12
Not later than one year	10.50	8.36
Later than one year, but less than three years	29.39	14.99
More than three years, but less than five years	15.77	13.98
More than five years	10.06	15.48

ii. Lease payments recognized in the Statement of Profit and Loss ₹ 8.92 Cr (Previous year ₹ 7.80 Cr)

iii. Future sub lease income receivable is ₹ 0.24 Cr

iv. General description of leasing arrangement

a) Leased Assets: Premises and Computers .

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.

Note 32 Auditor's Remuneration (₹. in Crores)

Particulars	2012-13	2011-12
As auditor		
Statutory audit	0.15	0.09
Tax audit	0.01	0.01
In other capacity		
For certificates	0.02	-
For expenses	-	-
Sub Total	**0.18**	**0.11**
Service tax	0.02	0.01
Total	**0.20**	**0.12**

Note 33 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, ESOS-5 in July 27, 2011 and ESOS-6 in June 11, 2012. 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 parts of ESOS-4 & ESOS-5 have vested during the year and have been duly exercised.

ESOS–6 provide for the issuance of options at the recommendation of the Compensation Committee of the Board at a price of ₹ 31 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, 2013

	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	422,900	19.89
Granted during the year	691,000	31.00
Exercised during the year	160,150	18.59
Forfeited / lapsed during the year	50,000	26.85
Options outstanding, end of year	903,750	28.23

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
Granted during the year	154,500	25
Exercised during the year	341,600	11.68
Forfeited / lapsed during the year	13,500	17.5
Options outstanding, end of year	422,900	19.89

Following summarises the information about stock options outstanding as at March 31, 2013

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 – 4	₹ 17.50	147,100	2.34	17.50	60% vested 40%30.9.2013
ESOS – 5	₹ 25.00	86,650	3.02	25.00	30% Vested 30%30.9.2013 40%30.9.2014
ESOS – 6	₹ 31.00	670,000	3.60	31.00	30%30.9.2013 30%30.9.2014 40%30.9.2015

Following summarises 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	1.5	10	Vested
ESOS – 4	₹ 17.50	248,400	3.03	17.5	30% Vested 30%30.9.2012 40%30.9.2013
ESOS – 5	₹ 25.00	154,500	3.03	25	30%30.9.2012 30%30.9.2013 40%30.9.2014

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, 2013 are:

	March 31, 2013	March 31, 2012
Dividend yield	Nil	Nil
Expected volatility	35 - 60%	35 - 60%
Risk- free interest rate	8 - 9%	8 - 9%
Expected life of the option	3 - 5 years	3 - 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 Crores)

Particulars	March 31, 2013	March 31, 2012
Net Profit/(Loss) (as reported)	102.45	51.11
Stock based compensation expense determined under fair value based method: (pro forma)	0.42	0.14
Net Profit/(Loss) (pro forma)	102.03	50.97
Basic earnings per share (as reported)	2.49	1.25
Basic earnings per share (pro forma)	2.48	1.24
Diluted earnings per share (as reported)	2.49	1.25
Diluted earnings per share (pro forma)	2.48	1.24

Note 34 Micro Small and Medium Enterprises

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

(₹. in Crores)

Particulars	As at 31 March, 2013	As at 31 March, 2012
The Principal amount remaining Unpaid at the end of the year	-	-
The Interest Amount remaining unpaid at the end of the year	-	-
Balance of MSME parties at the end of the year	-	-

Note 35 Investments

Profit / (loss) on disposal of current investments ₹ 1.43 Cr (Previous year: ₹ 0.02 Cr).

Note 36 Capital commitments as at Balance Sheet date is ₹ 1.64 Cr net of advances (Previous Year ₹ 1.77 Cr)

Note 37 Loan against gold portfolio to Total portfolio is 0.56% (Previous year 0.13%)

Note 38 The company has placed fixed deposit of ₹ 2.26 Cr with HDFC Bank pursuant to Securitisation transaction entered during the year. Also a sum of ₹ 4.55 Cr(previous year ₹ 4.55 Cr) has been placed as fixed deposit on account of assignment transaction entered previous year. HDFC bank has right to recover overdue amount from this fixed deposits alongwith interest on fixed deposit and excess interest spread on assignment agreements in case of default in assigned contracts

Note 39 Previous year figures have been regrouped/ rearranged, where necessary.

For and on behalf of the Board

G Subramanian
Chairman

Kaizad Bharucha
Director

G Ramesh
Managing Director

Anil Jaggia
Director

Rakesh Pathak
Company Secretary

Haren Parekh
Head Finance

Place: Mumbai
Date: April 17, 2013

Cash Flow Statement

HDB FINANCIAL SERVICES

(₹ in Crores)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Cash flows from operating activities		
Profit before income tax	150.13	70.65
Adjustments for:		
Discount on commercial paper	15.01	15.95
Provision & write offs	61.02	39.93
Provsion on dimunition of investmnet	1.51	-
Provision for compensated absence & gratuity	0.56	0.38
Depreciation & amortisation	4.27	3.61
Operating profits before working capital changes	**232.51**	**130.52**
Adjustments for :		
(Increase)/decrease in trade receivables	(7.12)	2.52
(Increase)/decrease in advances	(8.91)	(7.76)
(Increase)/decrease in other current assets	(22.56)	(16.79)
Increase/(decrease) in other liabilities and provisions	(12.35)	23.44
Increase/(decrease) in trade payable	6.64	(51.88)
Cash generated from operations	**188.21**	**80.06**
Direct taxes paid (net of refunds)	(63.00)	(28.25)
Net cash generated from operations	**125.21**	**51.81**
(Increase)/decrease in receivables under financing activity (net)	(4237.63)	(2710.24)
Increase/(decrease) in borrowings (net)	4119.24	2482.01
Net cash flow from/(used in) operating activities (A)	**6.82**	**(176.42)**
Cash flows from investing activities		
Purchase of fixed assets	(12.65)	(4.68)
Proceeds from sale of fixed assets	0.02	-
Short term investments	-	30.00
Long term investments	(0.57)	-

Cash Flow Statement

HDB FINANCIAL SERVICES

(₹ in Crores)

Particulars		For the year ended March 31, 2013	For the year ended March 31, 2012
Net cash from/(used in) investing activities	**(B)**	**(13.19)**	**25.32**
<u>Cash flows from financing activities</u>			
Increase in equity share capital		0.16	0.34
Increase in securities premium		0.14	0.06
Net cash generated from financing activities	**(C)**	**0.30**	**0.40**
Net increase/(decrease) in cash and cash equivalents	**(A+B+C)**	**(6.08)**	**(150.69)**
Add : Cash & cash equivalents as at the beginning of the year		**17.64**	**168.34**
Cash & cash equivalents as at the end of the year*		**11.56**	**17.64**
Notes to accounts form an integral part of financial statements			

* Note - Closing cash & cash equivalents includes a fixed deposit of ₹ 6.81 Cr & Previous year ₹ 4.55 cr, earmarked for assignment / securitisation transaction.

As per our report of even date

For Haribhakti & Co.
Chartered Accountants

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: April 17, 2012

For and on behalf of the Board

G Subramanian
Chairman

G Ramesh
Managing Director

Rakesh Pathak
Company Secretary

Kaizad Bharucha
Director

Anil Jaggia
Director

Haren Parekh
Head Finance

RBI Disclosure

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

(₹ in Crores)

Sr. No	Particulars	2012-13	2011-12
1	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	1,876.67	447.99
	- Unsecured (other than falling within the meaning of public deposits)	621.77	-
	(b) Deferred credits	-	-
	(c) Term loans	4,609.50	2,546.27
	(d) Inter-corporate loans and borrowings	-	-
	(e) Other loans	150.00	166.20
	(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	4,870.88	2,193.97
	(b) Unsecured	885.67	561.43
3	Break up of leased assets and Sstock 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	6.14	0.68
	b) Loans other than (a) above	2,440.98	1,209.95
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	-	-

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

(₹ in Crores)

Sr. No	Particulars	2012-13	2011-12
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government securities	-	-
	v. Others (Please specify)	-	-
	Long Term Investments:		
	I. Quoted:		
	i. Shares:		
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares:		
	a) Equity	1.99	3.50
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government securities	-	-
	v. Others (Pass through Certificates)	0.57	-
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	8,203.67	3,966.04
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	1.99	3.50
7	Other Information		
	(i) Gross Non-performing assets		
	a. Related party	-	-
	b. Other than related party	35.77	3.77
	(ii) Net Non-performing assets		
	(a) Related party	-	-
	(b) Other than related party	20.07	1.87
	(iii) Assets acquired in satisfaction of debt	-	-

Auto Loans

Gold Loans

Personal Loans

Business Loans

Loans Against Property

Loan Against Securities

Commercial Vehicle Finance

Construction Equipment Finance

BPO Services

Life Insurance

General Insurance