

10 YEARS

OF FINANCING
ASPIRATIONAL INDIA

ANNUAL REPORT 2017-2018

DIGITALLY ENABLED PROCESSES

- Application Processing
- Customer Support
- Payments

PAN INDIA PRESENCE

- 831 Cities
- 1165 Branches

WIDE RANGE OF PRODUCTS

- Consumer Loans
- Enterprise Loans
- Asset Finance



#ReimaginingOpportunities



Financial Highlights

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Total Revenue	1,688.27	2,527.26	3,302.02	5,714.54	7,061.99
Profit before tax	318.07	530.28	817.81	1,058.59	1,464.52
Profit after tax	209.24	349.45	534.41	698.77	951.74
Assets under Management	13,560	19,290	25,906	34,277	44,469
Shareholders' funds	1,628.50	3,125.13	3,561.80	5,362.90	6,202.23
Borrowings	11,075.00	15,277.97	19,612.15	25,287.05	34,980.97
Earnings per share (₹)	4.32	6.63	7.64	9.64	12.18
Book value per share (₹)	31.70	44.68	50.87	68.73	79.22

CORPORATE INFORMATION



Board of Directors

Mr. Aditya Puri	- Chairman & Non Executive Director
Mr. Bhavesh Zaveri	- Non Executive Director
Mr. Jimmy Tata	- Non Executive Director
Ms. Smita Affinwalla	- Independent Director
Mr. Venkatraman Srinivasan	- Independent Director
Mr. Ramesh G.	- Managing Director & Chief Executive Officer

Statutory Auditors

M/s. B S R & Co. LLP, Chartered Accountants (ICAI Reg. no. 101248W/W-100022)

Secretarial Auditors

M/s. Kaushal Dalal & Associates, Company Secretaries

Registered Office

Radhika, 2nd Floor, Law Garden Road,
Navrangpura, Ahmedabad - 380 009
Tel No.: +91 79-30482717
Website: www.hdbfs.com
Email: compliance@hdbfs.com
CIN: U65993GJ2007PLC051028

Corporate Office

Ground Floor, Zenith House,
Keshavrao Khadye Marg, Mahalaxmi,
Mumbai - 400 034
Tel No.: +91 22 49116300
Fax: +91 22 39586666

Bankers

* Axis Bank * Bank of India * Canara Bank * Corporation Bank * Federal Bank * HDFC Bank * HSBC Bank * Indian Bank * Jammu & Kashmir Bank * ICICI Bank * JP Morgan Chase Bank * Karnataka Bank * Punjab National Bank * State Bank of India * SIDBI *

Key Managerial Personnel

Mr. Ramesh G., Managing Director & Chief Executive Officer
Mr. Haren Parekh, Chief Financial Officer
Ms. Dipti Khandelwal, Company Secretary

Registrar & Share Transfer Agents

For Equity Shares, Commercial Paper and Debentures (NCDs) series 1 to 13:

M/s. Datamatics Business Solutions Limited,
Plot No. B 5, Part B Cross Lane, MIDC,
Andheri (E), Mumbai - 400 093

For Debentures (NCDs series 14 onwards) and Subordinated Bonds:

M/s. Link Intime India Private Limited
C 101, 247 Park, L.B.S. Marg,
Vikhroli (West), Mumbai - 400 083

Debenture Trustees

M/s. IDBI Trusteeship Services Limited
Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001
Tel.: +91 22 4080 7001, Fax: +91 22 6631 1776, Email: ajit.guruji@idbitrustee.com

11th Annual General Meeting

Date	: June 22, 2018
Day	: Friday
Time	: 12 noon
Place	: HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad, Gujarat - 380 009
Record date for determining eligibility of dividend	: June 14, 2018 (both physical and electronic)

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Directors' Report



The Members,
HDB Financial Services Limited

After completing over a decade of successful operations, HDB Financial Services Limited is proud to present the Eleventh Annual Report of the company together with the audited accounts for the Financial Year ended March 31, 2018.

Financial Performance

(₹ in crore)

Particulars	2017-18	2016-17
Total Income	7,061.99	5,714.54
Total Expenditure (excluding depreciation)	5,552.16	4,617.33
Profit/(Loss) before Depreciation & Tax	1,509.23	1,097.21
Less: Depreciation	45.31	38.62
Profit before Tax	1,464.52	1,058.59
Tax Paid	512.78	374.38
Profit for the year before impact of the Scheme of Amalgamation relating to FY 2014 - 15 and 2015 - 16	-	684.21
Profit after tax of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, the amalgamating companies for financial year 2014 - 15 and 2015 - 16	-	14.56
Profit / (Loss) after Tax	951.74	698.77
Appropriations:		
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	190.35	139.75
Interim Dividend & Final Dividend Paid	117.27	76.84
Dividend Tax thereon	23.87	-
Balance carried forward to Balance Sheet	620.25	542.03

Your Company posted total income and net profit of ₹ 7,061.99 crore and ₹ 951.74 crore, respectively, for the financial year ended March 31, 2018, as against ₹ 5,714.54 crore and ₹ 698.77 crore, respectively, in the previous year.

Dividend

The Board of Directors, on March 16, 2018 had declared an 'interim dividend' of ₹ 0.90 (Paise Ninety only) per equity share i.e. 9% (Nine percent) on each Equity Share of face value ₹ 10/- (Rupees Ten only), entailing a payout of ₹ 84.80 crore, including dividend distribution tax. The 'interim dividend' was paid to all the shareholders of the Company, whose names appeared on the Register of Members / Beneficial Holders on the 'record date' i.e. Saturday, March 17, 2018.

Further the Board in its meeting held on April 16, 2018 has recommend a final dividend of Re. 0.70 (Paise Seventy only) per equity share i.e. 7% (seven percent) on each Equity Share of face value ₹ 10/- (Rupees Ten only), entailing a total payout of ₹ 150.77 crore, including dividend distribution tax. The proposal is subject to the approval of shareholders at the ensuing Annual General Meeting (AGM) to be held on June 22, 2018.

Material Changes and commitment affecting financial position

Capital

During the year, your Company issued:

No. of fully paid up equity shares	Date of allotment	Purpose
5,06,660	September 28, 2017	Shares were issued to its employees under the Employees Stock Option Scheme
21,85,300	December 05, 2017	Shares were issued to its employees under the Employees Stock Option Scheme

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of your Company stands increased to ₹ 7,82,93,62,560 (Rupees Seven Hundred Eighty Two Crore Ninety Three Lakh Sixty Two Thousand Five Hundred and Sixty Only) comprising of 78,29,36,256 (Seventy Eight Crore Twenty Nine Lakh Thirty Six Thousand Two Hundred and Fifty Six) equity shares of ₹ 10 each as on March 31, 2018.

Capital Adequacy

Capital adequacy as at March 31, 2018 stood at healthy 17.94% which is well above the minimum regulatory norms for non-deposit accepting NBFCs.

Ratings

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

Facility	CARE	CRISIL	Amount ₹ in crore
Bank facilities	AAA/Stable	AAA/Stable	16,500.00
Short term debt program	A1+	A1+	7,500.00
Non-convertible debentures	AAA/Stable	AAA/Stable	23,843.80
Subordinated bond issue	AAA/Stable	AAA/Stable	2,000.00
Perpetual Bonds	AAA/Stable	AAA/Stable	500.00

All of the above ratings indicate a high degree of safety with regard to timely payment of interest and principal.

Borrowings

Your Company has diversified funding sources from Public Sector Banks, Private Sector Banks, Mutual Funds, Insurance Companies, Financial Institutions etc. Funds were raised in line with Company's Resource Planning Policy through term loans, secured redeemable non-convertible debentures (NCDs), subordinated bonds and commercial paper (CPs).

During the year, your Company raised ₹ 16,975 crore through term loans from Banks. No interest payment or principal repayment of the Term Loans was due and unpaid as on March 31, 2018. The assets of the Company which are available by way of security are sufficient to discharge the claims of the banks as and when they become due.

During the year, your Company raised ₹ 6,257 crore by issue of NCDs, on private placement basis. The NCDs are rated "AAA/Stable" by CARE and CRISIL, indicating highest degree of safety with regard to timely servicing of financial obligations. The NCDs were issued with maturity period ranging from 18 months to 5 years. The interest payable is annual and / or on maturity and no interest was due and unpaid as on March 31, 2018. The Company has not received any grievances from the debenture holders. 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. The Company had issued Subordinated Bonds of ₹ 280 crore during the year. The Subordinated Bonds are rated "AAA/Stable" by CARE and CRISIL, indicating highest degree of safety with regard to timely servicing of financial obligations.

During the year, your Company raised ₹ 10,065 crore by issue of CPs. The Short Term Debt are rated "A1+" by CARE and CRISIL, indicating highest degree of safety with regard to timely servicing of financial obligations.

The NCDs and Subordinated Bonds are listed on Wholesale Debt Market (WDM) of the Bombay Stock Exchange. The Directors of your Company state that there were no material changes and commitments affecting the financial position of your Company which have occurred between the end of the financial year March 31, 2018 to which the financial statements relate and the date of the report.

Corporate Social Responsibility

The Company has initiated partnerships with implementing agencies for projects in the areas of Skills Training & Livelihood Enhancement, Healthcare and Education as part of its initiatives under CSR. These projects are in accordance with Schedule VII of the Companies Act, 2013.

The Company's Corporate Social Responsibility (CSR) activities are guided and monitored by its CSR Committee. The CSR Policy of the Company provides a broad set of guidelines including intervention areas.

Directors' Report



The Company believes that CSR is a way of creating shared value and contributing to social and environmental good. Company's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations. The Annual Report on CSR activities is annexed herewith as "Annexure A".

Directors and Key Managerial Personnel (KMP)

In terms of Section 152 of the Companies Act 2013 and the Articles of Association of the Company, Bhavesh Zaveri (DIN 01550468) non-executive Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. There was no change in the directors and KMP during the financial year ending March 31, 2018.

Declaration by Independent Directors

The Company has received necessary declaration from each Independent Director of the Company under Section 149 (7) of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149 (6).

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- i. that in preparation of the annual financial statements for the year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii. that appropriate accounting policies have been selected & applied consistently & judgments and estimates made are reasonable & prudent so as to give a true & fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2018 & of the profit of the Company for the said year;
- iii. that proper & sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company & for preventing & detecting fraud & other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. the Company has an established internal financial control framework including internal controls over financial reporting, operating controls and for the prevention & detection of frauds & errors. The framework is reviewed periodically by Management and tested by the internal audit team appointed by the Management to conduct the internal audit. Based on the periodical testing, the framework is strengthened from time to time to ensure the adequacy and effectiveness of internal financial controls; and
- vi. that systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

Vigil Mechanism / Whistle Blower Policy

As per the provisions of Section 177(9) of the Act the Company is required to establish an effective Vigil Mechanism for Directors and employees to report genuine concerns. The Company as part of the 'vigil mechanism' has in place a Board approved 'Whistle Blower Policy' to deal with instances of fraud and mismanagement, if any. The Whistle Blower Policy has been placed on the website of the Company.

This vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimisation of employees and also provide direct access to the Chairman of the Audit Committee in exceptional circumstances.

During the year under review, two complaints were received by the Company. One complaint has been investigated and addressed as per the policy and the other complaint is under investigation. None of the personnel of your Company were denied access to the Audit Committee.

Policy on Prevention of Sexual Harassment

Board approved policy on Prevention and Redressal of Sexual Harassment at Workplace is in place as per the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder and Internal Complaints Committee has also been set up to redress complaints received regarding sexual harassment. The said policy is uploaded on the website of the Company.

During the year under review, the Company received ten complaints of which nine complaints were investigated and addressed as per the policy and one complaint is under investigation.

Statutory Auditors

Pursuant to the provisions of Sections 139 and 141 of the Companies Act, 2013 and Rules made thereunder, M/s. B S R & Co. LLP, Chartered Accountants, were appointed as Statutory Auditors of the Company, to hold office up to the financial year 2017 -18, subject to the ratification by the members at every Annual General Meeting to be held during their term.

The Audit Committee had proposed and Board has recommended the re-appointment of M/s. B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company to hold office for a term of 5 (Five) years from the conclusion of this Annual General Meeting until the conclusion of the Sixteenth Annual General Meeting of the Company to be held in the year 2023, subject to the approval of the Shareholders of the Company at the ensuing Annual General Meeting. They have confirmed that their re-appointment, shall be within the limits prescribed under the Companies Act, 2013 and that they are not disqualified for such appointment within the meaning of Sections 139 and 141 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014.

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rules thereunder, the Board of Directors at its meeting held on April 18, 2017 had appointed M/s. Kaushal Dalal & Associates, Practicing Company Secretaries, as the Secretarial Auditor of the Company to conduct the secretarial audit of the Company for the Financial Year 2017 - 18. The Report of the Secretarial Auditor in Form MR-3 is annexed as 'Annexure B'.

Further the Board of Directors at its meeting held on April 16, 2018 had appointed M/s. Kaushal Dalal & Associates, Practicing Company Secretaries, as the Secretarial Auditor of the Company to conduct the secretarial audit of the Company for the Financial Year 2018 - 19.

Employees Stock Option Scheme (ESOS)

The information pertaining to ESOS in terms of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 is given in 'Annexure C'.

Statutory Disclosures

- i. Pursuant to the provisions of Section 134(3)(a) and Section 92(3) read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of the Annual Return in Form MGT- 9 is annexed as 'Annexure D'.
- ii. Disclosure as per Section 197(12) of the Companies Act, 2013 pertaining to individuals employed throughout the year and in receipt of remuneration of not less than ₹ 102,00,000/- per annum or ₹ 850,000/- per month is given in 'Annexure E'.
- iii. Disclosures in terms of Section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in 'Annexure F'.
- iv. Pursuant to the provisions of Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of the contracts or arrangements with related parties referred to in section 188(1) in Form AOC-2 is annexed as 'Annexure G'.
- v. Pursuant to the provisions of Section 134(3)(e), the Company's Nomination and Remuneration policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) is available on the website of the Company <https://www.hdbfs.com/policies>.

Corporate Governance Report

The report on Corporate Governance for the Company is annexed as 'Annexure H' and forms an integral part of this Annual Report.

Energy conservation, technology absorption and foreign exchange earnings and outgo

The provisions of Section 134(3)(m) of the Companies Act, 2013, the rules made there under relating to conservation of energy, technology absorption do not apply to your Company as it is not a manufacturing company. However, your Company has been increasingly using information technology in its operations and promotes conservation of resources. During the year under review, there was no foreign earning or expenditure in the Company.

Fixed Deposits

Your Company is a non-deposit taking Company. The Company has not accepted any fixed deposit during the year under review. The Company has passed a Board resolution for non-acceptance of deposits from public.

RBI guidelines

Reserve Bank of India (RBI) granted the Certificate of Registration to the Company in December 2007 vide Registration No. N.01.00477, to commence the business of a non-banking financial institution without accepting deposits. Your Company is a Non Deposit Taking Systemically Important Non-Banking Financial Company (NBFC-ND-SI). The Company has complied with and continues to comply with all the applicable regulations and directions of the RBI.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Outlook

The year 2017-18 saw large scale reform initiatives come into full force. Goods and Service Tax (GST) was rolled out on schedule on July 1, 2017. This has created a single market for providers of goods and services. A single tax on transactions will aid GDP growth by reducing the cost of doing business. The other major reform was the constitution of National Company Law Tribunal (NCLT) and Insolvency and Bankruptcy Code (IBC). This is likely to reduce the time taken to resolve stressed assets through a timebound resolution programme for referred accounts. While private activity remained somewhat subdued on account of the fall in consumer sentiment, the government showed its intent by taking long pending tough decisions in the interest of the country's future. Thus, India continued to witness steady economic growth despite a volatile internal and weak external environment. Improvement in commodity prices like Oil, low fiscal deficit, increase in inflation while still staying at a comfortable level, appreciation of the rupee vs. the dollar, passage of GST and the after effects of the demonetisation exercise all resulted in a mixed bag for the Indian economy.

The official Wholesale Price Index (WPI) for all commodities (Base: 2011-12=100) for the month of February, 2018 remained largely unchanged at its previous month level of 115.8 (provisional). The annual rate of inflation, based on monthly WPI, stood at 2.48% (provisional) for the month of February, 2018 (over February, 2017) as compared to 2.84% (provisional) for the previous month and 5.51% during the corresponding month of the previous year. The good news was that the headline inflation has been below 4% for 12 straight months, from November 2016 to October 2017 and CPI food inflation averaged around 1% during April -December in the current financial year, as per the Economic Survey 2018. The CPI inflation declined to 3.3% during FY 2017-18 (Apr-Dec), with a broad-based decline in inflation across major commodity groups except Housing and Fuel & Light. The government forecast economic (GDP) growth slowing to 6.5% in the year to 31-March from 7.1% in the previous year, mainly driven by the issues related to GST implementation and the poor performance of agriculture and manufacturing sector. GDP growth is expected to bounce back to 7-7.5% in FY19.

Incoming economic data remains largely encouraging, with GDP growth picking up more than expected in the October-to-December period, and leading indicators showing the recovery carrying over into the final quarter of the fiscal year. The robust GDP print reflected higher government consumption growth and increased public capital outlays, which more than offset a moderation in private spending growth. That said, consumption indicators have mostly bottomed out and are now gaining traction: In March 2018, passenger and two-wheel vehicle sales rose robustly, and consumer goods production expanded at its strongest pace in over a year.

Industry Structure and Developments

The Non Banking Financial Company (NBFC) sector saw a largely stable outlook for major NBFCs. From the perspective of larger financial system, Scheduled Commercial Banks continued to be the dominant players accounting for nearly 47% (Forty Seven per cent) of the bilateral exposure followed by Asset Management Companies managing Mutual Funds (AMC-MFs), Non-Banking Financial Companies (NBFCs), Insurance Companies, Housing Finance Companies (HFCs) and All-India Financial Institutions (AIFIs).

The Union Budget 2017-18 referred to review of the refinancing policy and eligibility criteria set by MUDRA for better refinancing of NBFCs, setting a target of ₹ 3 lakh crore for lending under MUDRA for 2018-19, as the targets have been exceeded in all previous years.

(Data Source: RBI and Industry reports)

Opportunities

NBFCs' niche in certain asset classes would continue to enable them to expand their market share. Their ability to customise products, price the risk and manage credit costs, especially related to small-ticket loans, viz., light Commercial Vehicle (CV), used CV, small-ticket housing loans, small-ticket LAP and micro finance, would continue to support their growth. Even in the large-ticket mid corporate segment, wholesale and diversified NBFCs would continue to gain share as they possess the ability to price the risk and loan structuring flexibility. The large NBFCs are expected to grow 18% yoy over FY18-FY19.

Considering the transition to the 90 days past due (dpd) Non-Performing Asset (NPA) recognition will be complete by FY18, NBFCs could further recalibrate their provisioning policy to cushion the impact on credit cost. Government's increased focus on rural economy in the budget for 2018-19 could be a boost for NBFCs that have a significant portion of their assets in rural areas.

Threats

Growth of the Company's asset book, quality of assets and ability to raise funds depend significantly on the economy. Unfavourable 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 service providers, unstable political environment and changes in Government policies / regulatory framework could impact the Company's operations.

Operations

Loan disbursements during the year were ₹ 25,341 crore, as against ₹ 19,171 crore in the previous year. The Assets under Management (AUM) of the Company as at March 31, 2017 increased to ₹ 44,469 crore from ₹ 34,277 crore in the previous year.

The Company has continued to focus on diversifying its products and expand its distribution to effectively deliver credit solutions to its market.

PRODUCTS

The current product portfolio consists of three main categories i.e. Loans, Fee based products and BPO services.

LOANS

The Company offers a wide range of loan products (secured and unsecured) to various customer segments. These include Consumer Loans, Enterprise Loans and Asset Finance.

Consumer Loans:

The Company provides loans for purchase of white goods (such as washing machines and refrigerators etc.), brown goods (such as televisions, audio equipments and similar household appliances etc.) and digital products (such as mobile phones, computer / laptop etc.).

The Company also provides loans to individuals for personal, family or household purposes to meet their short or medium term requirements.

Consumer Loans Portfolio includes:

- Consumer Durable Loan
- Digital Products Loan
- Gold Loan
- Auto Loan
- Personal loans
- Loan against Mutual Fund units

Enterprise Loans:

Small & Micro Enterprises need funding, whether it is for the working capital of a big order or for setting up new machinery for faster production etc. The Company offers secured and unsecured Loans to cater to the needs of these Enterprises.

Various loans offered to Enterprises include:

- Unsecured Business loan
- Loan Against Property
- Loan against Lease Rental
- Enterprise Business Loan
- Auto Refinance
- Loan against Shares and securities

Asset Finance:

The Company offers loans for purchase of new & used vehicles and equipments that generate income for the borrowers. The Company provides finance to a broad spectrum of customers including fleet owners, first time users, first time buyers and captive use buyers.

- Commercial Vehicle Loans: The Company provides loans for purchase of new and used commercial vehicles. The Company also offers refinancing on existing vehicles.
- Construction Equipment Loans: The Company provides loans for purchase of new and used construction equipment.
- Tractor Loans: The Company provides loans for purchase of new and used tractors.

Fee based products:

- The Company is a registered Corporate Insurance Agent having license no. HDF 4684721 from Insurance Regulatory & Development Authority of India (IRDAI). The Company sells Life and General insurance products of HDFC Standard Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited respectively. IRDAI has renewed Corporate Agency license of the Company which is valid for three years from April 01, 2016 to March 31, 2019 vide its license reg. no. CA0095 dated March 22, 2016.

BPO Services

- Collection Services - The Company has a contract with HDFC Bank to run collection call centres and collect overdues from borrowers. The Company has set up 13 call centres across the country with a capacity of over 4500 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 500 locations through its calling and field support teams.
- Back office and Sales Support - The Company provides sales support services, back office, operations and processing support to HDFC Bank.

Segment wise performance

The details with regard to segment wise performance of the Company are mentioned in the notes forming part of the financial statements at Note no. 37.

Infrastructure

The Company has 1,165 branches in 831 cities in India as on March 31, 2018. The Company has its data centre at Bengaluru and Mumbai with centralised operations based at Hyderabad and Chennai. To strengthen its internal processes the Company has implemented a quality management system in its centralised operations at Hyderabad and Chennai. The operations of the Company are ISO 9001:2008 certified by BSI.

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 2018-19.

Risk management and portfolio quality

The Company recognizes the importance of risk management and has invested in appropriate processes, people and management structure. Towards this end, the Board of Directors at its meeting held on April 16, 2018 had reviewed the Risk Management Policy towards implementation of its risk management strategy and to review the systems used to manage and identify risks faced by your Company. The risk function is supervised by the Risk Committee of the Board. Risk Committee reviews the asset quality on a quarterly basis. Product policy programs are duly approved before any new product launches and are reviewed regularly. The asset quality of the Company continues to remain healthy. The ratio of gross non-performing assets to gross advances and net non-performing assets to net advances as of March 31, 2018 stood at 1.58% and 0.96% respectively. The specific loan loss provisions that the Company has made for its non-performing assets continue to be more conservative than those prescribed by the regulator.

Service Quality Initiatives

The Company has taken various steps to improve the effectiveness of its service delivery and to drive consistency in customer experience across its delivery channels. The focus during the year was to develop an “omni-channel customer interaction system”. Customers can now reach the Company through its extensive branch network, phone, web, mail and the mobile App. Our initiative to put in place a customer service committee chaired by the Managing Director that undertakes a monthly review of all complaints, has increased our ability to identify the root cause of complaints and design & implement necessary process changes and identify the training needs for all customer interaction points and operations wherever such a training is required.

- A monthly customer experience survey is being carried out to ensure that the customer concerns are actively identified, tracked and resolved within the framework decided. The grievance redressal process has been strengthened to reduce customer issues and create a positive impact.
- The mobile App (ON THE GO), saw healthy adoption by the customers. Based on the customer feedback, new features are regularly added to the App so that the customers can interact with the Company or find information on their accounts at their convenience.
- As a part of your Company's endeavour to digitise its service offerings and process flows, a mobile application has been developed which is installed in the mobile phones of sales and credit staff. This application is integrated with the Company's system. This enables quick response to customer queries that can be addressed while our personnel are on the field.
- The company's website has also been enhanced and revamped to provide more information and access to both the existing and the potential customers.

All these initiatives will provide customer delight and will further help in meeting customer expectations..

Information Technology

Your Company believes that use of the technology in an optimum manner in its business for sourcing & servicing customers and other backend operations, is essential to enhance its brand visibility and achieve business goals. In the FY 2017 - 18, major initiatives were taken in the Information Technology infrastructure and related systems of your Company so as to keep in pace with the business and technological requirements. During this period your company has acquired a new Data Center to build Disaster Recovery for critical business applications. Company also expanded real time online business of approving loans to their customers in consumer durable space. This online application has the capability to run decision engines for credit appraisal on a real time basis.

Data Privacy and Information Security has been a focus area during the year. The Company has augmented equipment, tools and processes, including staff training, to augment the Information security framework.

Internal Control Systems

The Company has an Internal Control System to commensurate with the size, scale and complexity of its operations. The Internal Auditors monitor the efficiency and efficacy of the internal control systems in the Company, compliance with operating systems / accounting procedures and policies of the Company. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

The Company also undertakes audit of its branches covering all aspects of branch operations and credit audit covering underwriting aspects.

The Company has adequate systems and procedures to provide assurance of recording transactions in all material respects. During the year, the Internal Auditors reviewed the operating effectiveness of the internal financial controls by undertaking an effectiveness testing of controls covered under the Risk Control Matrices for major processes. During the year the Internal Auditors reviewed the adequacy of the internal financial controls of various processes as required under Section 134 (5) of the Companies Act, 2013.

Internal Audit

The Company conducts its 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 are reviewed and enhanced periodically.

The Company has an Internal Audit department which is staffed with experienced personnel. The Head of Internal Audit reports to the Audit Committee. The Internal Audit department conducts audits of all areas of operations including branches as per an audit calendar approved by the Committee. The reports are reviewed by the Audit Committee of the Board. The Audit Committee reviews the performance of the audit functions, the effectiveness of controls and compliance with regulatory guidelines.

Compliance

The Audit Committee reviews the performance of the 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 Board approved compliance policy to effectively monitor and supervise the compliance function in accordance with the statutory requirements.

Human Resources

Your Company believes in nurturing talented professionals and give them ample opportunity to grow. Our focus is on meticulous execution of tasks. We drive the hunger to learn, among our people, encouraging them to constantly enhance their skill sets. We strongly believe that people focus will ultimately deliver business success. Thus a positive and productive work environment along with an interesting mix of assignments drives individuals to join us.

We also make constant investments in the development of our employees by providing training at all levels. We appreciate the extraordinary efforts of our people and support their rapid advancement through a robust, merit-based rewards and recognition programme. Simplicity, Self-Drive and passion for excellence are some of the core values reflected in our brand, through our people.

As on March 31, 2018, your Company had 74,049 employees as compared to 65,906 as on March 31, 2017.

Directors' Report



Cautionary Note

Certain statements in this Report may be forward-looking and are stated as may be required by applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental / related factors.

Acknowledgement

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.

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 maintain its growth.

On behalf of the Board of Directors

Sd/-

**Aditya Puri
Chairman**

Mumbai
April 16, 2018

Disclosure on Corporate Social Responsibility (CSR) Policy and Activities

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs

Given in the CSR policy which is uploaded on the Company's website.

Web link: <https://www.hdbfs.com/policies>

2. The Composition of the CSR Committee

- i. Ms. Smita Affinwalla, Chairperson
- ii. Mr. Bhavesh Zaveri, Member
- iii. Mr. Ramesh G, Member

3. Average net profit of the company for the last three financial years of the Company: ₹ 809.59 crores

4. Prescribed CSR Expenditure (two percent (2%) of the amount as in item 3 (above): ₹16.19 crores

5. Details of CSR spend for the financial year:

- i. Total amount spend for the financial year: ₹ 11.55 crores
- ii. Amount unspent, if any: ₹ 4.64 crores (allocated)
- iii. Manner in which the amounts spend during the financial year is detailed below:

(₹ in crore)

S. No	CSR Project/ Activity	Sector (Schedule VII)	Location	Amount Outlay (Budget) Project wise	Amount spent on the Project*	Cumulative Expenditure upto Reporting Period	Amount Spent: Direct or through Implementing Agency**
1	Maternal & Child Health and Nutrition	Healthcare	Ahmedabad (GJ), Barmer (RJ), Mumbai (MH)	1.58	1.59	1.59	Implementing Agency
2	School WASH & Clean Drinking Water for Rural Communities	Healthcare	Sehore (MP), Washim (MH), Warangal (TS)	2.10	1.39	1.39	
3	Diagnosis & Treatment of Preventable Illness	Healthcare	Chennai (TN), Kolkata (WB), Mumbai (MH), Sonebhadra (UP)	3.99	2.22	2.22	
4	Youth Training & Development	Livelihood	Ahmedabad (GJ), Bangalore (KA), Chennai (TN), Chaibasa (JH), Delhi (DL), Indore (MP), Bhilai & Raipur (CH), Madurai (TN), Mumbai (MH), Pondicherry (TN), Vizag (AP), Kolkata (WB)	3.27	2.12	2.12	
5	Food for Education	Education	Mumbai (MH), Vrindavan (UP)	0.87	0.65	0.65	
6	Delivery of Quality Education & Academic Support	Education	Ajmer (RJ), Hazaribagh (JH), Mumbai (MH)	2.34	2.24	2.24	
7	Restoration of Ecological Balance	Environment	Bangalore (KA), Coimbatore (TN), Harda (MP)	2.45	1.20	1.20	
8	Administrative Expenses			-	0.14	0.14	
Total				16.60	11.55	11.55	-

*Amount spent includes ₹ 0.85 crores disbursed in FY17-18 towards projects sanctioned in FY16-17.

****Implementing Agencies:**

Healthcare: Centre for Health, Education, Training and Nutrition Awareness; MAMTA Health Institute for Mother and Child; Medical Research Foundation; Ramakrishna Math (Yogodyan); SMILE Foundation; Society for Nutrition, Education & Health Action; Sri Shanmukhananda Fine Arts & Sangeetha Sabha.

Livelihood: Family Planning Association of India; Friends Union for Energising Lives; Kherwadi Association of Social Welfare; Medha Learning Foundation; New Resolution India; PanIIT Alumni Reach for India Foundation; Sambhav Foundation; Sarthak Educational Trust; SGBS Unnati Foundation; Youth4Jobs Foundation.

Education: Akhsay Patra Foundation; Foundation to Educate Girls Globally; Masoom; Nav Bharat Jagriti Kendra; Paragon Charitable Trust; Ratna Nidhi Charitable Trust.

Environment: BAIF Institute of Sustainability & Livelihood Development; Freedom for You Foundation (Grow-Trees.com); International Association for Human Values; Isha Outreach; Manuvikasa.

6. In case the Company has failed to spend the 2% (Two per cent) of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:

The prescribed spend for the year was ₹16.19 crore. As against this, the Company initiated projects with a commitment of ₹16.6 crore. All projects have been initiated through partners after extensive due diligence of the competency and experience in implementing projects. As payments are linked to milestones achieved by the agencies which are implementing the projects, a sum of ₹ 11.55 crore has been disbursed in this financial year.

The Company has significantly increased the quantum and scope of interventions in the current financial year, with adequate circumspection in partnering the agencies concerned. The endeavour in the current financial year has also been to build relationships with credible implementing agencies and effective implementation of projects initiated.

The Company believes it is well positioned to build on the foundations put in place to further broaden and accelerate its CSR interventions in the ensuing years.

7. The CSR Committee confirms that the implementation and monitoring of its CSR Policy is in compliance with the CSR objectives and policies as laid down in this report.

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 2017-2018

[Pursuant to Section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,
HDB Financial Services Limited

I have conducted the secretarial audit of all applicable statutory provisions **for the Financial Year 2017-2018** of **M/s HDB Financial Services Limited** (hereinafter called "the Company"), incorporated on 4th June, 2007 having **CIN : U65993GJ2007PLC051028** and Registered office at **Radhika, 2nd Floor, Law Garden Road, Navrangapura, Ahmedabad - 380009, Gujarat.**

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2018** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March, 2018** according to the applicable provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - d) Securities And Exchange Board Of India (Debenture Trustees) Regulations, 1993
 - e) Other laws applicable to the Company (List of other laws enclosed and Marked as Annexure - I)

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India
- (ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the year under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

- a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors and the Key Managerial Personnel of the Company that took place during the year under review were carried out in compliance with the provisions of the Act.

- b. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- c. Majority decision is carried through the unanimous consent of all the Board of Directors and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the Company has transacted following activities through the approval of the Board / Members, wherever applicable:

- d. The members of the company, by means of postal ballot on 03rd June, 2017 have passed special resolution for approval of following transactions:
 - Increase the borrowings limits of the Company from ₹ 40,000 crore (Rupees Forty Thousand Crore Only) to ₹ 50,000 crore (Rupees Fifty Thousand Crore Only) pursuant to the provisions of Section 180(1)(c) of the Act;
 - Increase in limits for creation of charge on the assets of the Company upto an amount of ₹ 50,000 crore (Rupees Fifty Thousand Crore Only) to secure its borrowings;
 - Sell, assign its receivables / book debts upto ₹ 6,500 crore (Rupees Six Thousand Five Hundred Crore Only);
- e. The members of the Company, by means of Special Resolutions at the Annual general Meeting held on 23rd June, 2017 have accorded approval for the following transactions:
 - Re-appointment of Ramesh G. as the Managing Director of the Company
 - Issuance of Secured Redeemable Non-convertible Debentures upto the limit of ₹ 3,140 crore (Three Thousand One Hundred and Forty Crore Only) by renewal of existing limit and on its exhaustion additional Secured Redeemable Non-convertible Debentures upto limit of ₹ 7,500 crore (Seven Thousand Five Hundred Crore Only);
 - Issuance of Unsecured Redeemable Non-convertible Subordinated Bonds upto the limit of ₹ 280 crore (Rupees Two Hundred and Eighty Crore Only);
 - Issuance of Unsecured Redeemable Perpetual Debt Instruments upto the limit of ₹ 500 crore (Rupees Five Hundred Crore Only);
 - Payment of profit related commission to Independent Directors upto the limit of ₹ 6,00,000 (Rupees Six Lacs only) per Independent Director in a Financial Year and not exceeding 1% (One percent) of the net profit of relevant Financial Year;
 - Adoption of Employee Stock Option Scheme - 2017 to create, grant, issue, offer and allot stock options to employees of the Company, upto 1,00,00,000 (One crore) convertible into Equity Shares;
 - Approval of the related party transaction with HDFC Bank Limited for Securitisation of assets.
- f. The Board of Directors have redeemed 19,630 (Nineteen Thousand Six Hundred and Thirty) Secured Redeemable Non-Convertible Debentures in various tranches during the year.
- g. The members of the Company, by means of postal ballot on 04th December, 2017 have passed special resolution for approval of Adoption of new set of Memorandum and Articles of Association of Company;

Directors' Report



- h. The Board of Directors have issued and allotted 62,570 (Sixty Two Thousand Five Hundred and Seventy) Secured Redeemable Non-convertible Debentures of ₹ 10 Lakh (Rupees Ten Lakh Only) in various tranches on private placement which were duly listed on BSE Limited;
- i. The Board of Directors under various Employee stock option scheme have issued and allotted to employees of the company 26,91,960 (Twenty Six Lac Ninety One Thousand Nine Hundred and Sixty) Equity Shares of ₹ 10/- each.
- j. The Board of Directors have allotted 2,800 (Two Thousand Eight Hundred) Un-Secured Redeemable Non-convertible Subordinated Bonds of ₹ 10 Lakh (Rupees ten Lakh Only) on private placement;
- k. The Board of Directors of the Company vide Circular resolution dated 16th March, 2018 had declared an interim dividend at the rate of Re. 0.90/- (Ninety Paise Only) per share (i.e. 9% on the face value of the equity shares) out of the current year's profits to the Existing Equity shareholders of the Company.

For Kaushal Dalal & Associates
Company Secretaries

Date: 16th April 2018
Place: Mumbai

Kaushal Dalal
Proprietor
M. No: 7141 CP No: 7512

Annexure I

Sr. No	Particulars
1	The Employees' Provident Fund and Miscellaneous Provisions Act, 1952
2	The Payment of Gratuity Act, 1972
3	The Payment of the Bonus Act, 1965
4	The Industrial Dispute Act, 1947
5	Employees' State Insurance Act, 1948
6	The Reserve Bank of India Act, 1934
7	The Bombay Industrial Relations Act, 1946
8	Wealth Tax Act, 1957
9	Prevention of Money Laundering Act, 2002
10	Income Tax Act, 1961
11	Chapter V of the Finance Act, 1994

For Kaushal Dalal & Associates
Company Secretaries

Date: April 16, 2018
Place: Mumbai

Kaushal Dalal
Proprietor
M. No: 7141 CP No: 7512

Directors' Report



To,
The Members,
HDB Financial Services Limited

My report of even date is to read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, we followed provided a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Book of Accounts of the Company.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulation, standards is the responsibility of management. My examination was limited to the verification of procedures on the test basis.
6. The Secretarial audit report is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Kaushal Dalal & Associates
Company Secretaries

Date: April 16, 2018
Place: Mumbai

Kaushal Dalal
Proprietor
M. No: 7141 CP No: 7512

Annexure C

Details of Employees' Stock Option Scheme pursuant to the provisions of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 for the year ended March 31, 2018

Details	ESOS - 6	ESOS - 7	ESOP - 8	ESOS - 9	ESOS - 10
Options granted during the year	0	0	0	0	33,40,250
Options vested	0	0	11,43,000	12,01,400	0
Options exercised	1,200	97,600	14,98,360	10,94,800	0
Total number of shares arising as a result of exercise of option	1,200	97,600	14,98,360	10,94,800	0
Options lapsed / forfeited		5,100	1,57,900	64,500	29,500
Exercise price (in ₹)	31	56	88	137	213
Money realized by exercise of options (in ₹)	37,200	54,65,600	13,18,55,680	14,99,87,600	0
Total number of options in force as at March 31, 2018	0	0	11,15,000	18,44,200	33,10,750

Annexure D

Extract of the Annual Return in Form MGT- 9 as per Section 92 of the Companies Act, 2013 for the financial year ended on March 31, 2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i	CIN	U65993GJ2007PLC051028
ii	Registration Date	June 04, 2007
iii	Name of the Company	HDB Financial Services Limited
iv	Category / Sub-Category of the Company	Non-Banking Financial Company
v	Address of the Registered office and contact details	Radhika, 2 nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009. Tel: +91 79 3048 2717
vi	Whether listed company Yes / No	Equity Shares not listed, however, Debentures and Subordinated Bonds listed on Bombay Stock Exchange
vii	Name, Address and Contact details of Registrar and Transfer Agent, if any	For Equity Shares, Commercial Paper and Debentures (NCDs) series 1 to 13: Datamatics Business Solutions Limited Plot No. B-5, Part B Cross Lane, MIDC, Andheri (E), Mumbai - 400 093. For Subordinated Bonds and Debentures (NCDs) series 14 onwards: Link Intime India Pvt. Ltd. C 101, 247 Park, L B S Marg, Vikhroli (West), Mumbai - 400 083

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

#	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Non-Banking Financial Services (Lending)	649	76.65%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

#	Name and address of the company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable section
1	HDFC Bank Limited Reg. Off: HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai - 400013	L65920MH1994PLC080618	Holding	95.87%	Section 2(46) of Companies Act, 2013

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i. Category-wise Share Holding

Category code	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A)	Promoters									
1.	Indian									
a)	Individuals/HUF	0	0	0	0.0000	0	0	0	0.0000	0.0000
b)	Central Government	0	0	0	0.0000	0	0	0	0.0000	0.0000
c)	State Government(s)	0	0	0	0.0000	0	0	0	0.0000	0.0000
d)	Bodies Corporate	0	0	0	0.0000	0	0	0	0.0000	0.0000
e)	Banks / FI	75,05,96,670	0	75,05,96,670	96.2002	75,05,96,670	0	75,05,96,670	95.8694	-0.3308
f)	Any Other (specify)	0	0	0	0.0000	0	0	0	0.0000	0.0000
	Sub Total (A)(1)	75,05,96,670	0	75,05,96,670	96.2002	75,05,96,670	0	75,05,96,670	95.8694	-0.3308
2.	Foreign									
a)	NRIs - Individuals	0	0	0	0	0	0	0	0	0
b)	Other - Individuals	0	0	0	0	0	0	0	0	0
c)	Bodies Corporate	0	0	0	0	0	0	0	0	0
d)	Banks / FI	0	0	0	0	0	0	0	0	0
e)	Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
f)	Any Other (specify)	0	0	0	0	0	0	0	0	0
	Sub Total (A)(2)	0	0	0	0	0	0	0	0	0
	Total Shareholding of Promoter and Promoter Group (A)=(A (1)+(A)(2)	75,05,96,670	0	75,05,96,670	96.2002	75,05,96,670	0	75,05,96,670	95.8694	-0.3308
(B)	Public shareholding									
1.	Institutions									
(a)	Mutual Funds	0	0	0	0.0000	0	0	0	0.0000	0.0000
(b)	Banks / FI	0	0	0	0.0000	0	0	0	0.0000	0.0000
(c)	Central Government	0	0	0	0.0000	0	0	0	0.0000	0.0000
(d)	State Government(s)	0	0	0	0.0000	0	0	0	0.0000	0.0000
(e)	Venture Capital Funds	0	0	0	0.0000	0	0	0	0.0000	0.0000
(f)	Insurance Companies	0	0	0	0.0000	0	0	0	0.0000	0.0000
(g)	FII's	0	0	0	0.0000	0	0	0	0.0000	0.0000
(h)	Foreign Venture Capital Funds	0	0	0	0.0000	0	0	0	0.0000	0.0000
(i)	Qualified Foreign Investor				0.0000				0.0000	0.0000
(j)	Alternate Investment Funds	0	0	0	0.0000	0	0	0	0.0000	0.0000
(k)	Other (specify)	0	0	0	0.0000	0	0	0	0.0000	0.0000
	Sub Total (B)(1)	0	0	0	0.0000	0	0	0	0.0000	0.0000
2.	Non-institutions									
a)	Bodies Corporate	0	0	0	0.0000	0	0	0	0	0
i.	Indian	28,901	19,22,062	19,50,963	0.2500	16,77,122	19,22,062	35,99,184	0.4597	0.2097
ii.	Overseas	0	0	0	0.0000	0	0	0	0.0000	0.0000

Category of Shareholders		No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
b)	Individuals	0	0	0	0.0000	0	0	0	0.0000	0.0000
i.	Individuals - shareholders holding nominal share capital up to ₹ 1 Lakh	21,24,334	0	21,24,334	0.2723	30,23,008	0	30,23,008	0.3861	0.1138
ii.	Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	2,52,47,996	1,05,525	2,53,53,521	3.2494	2,53,89,745	0	2,53,89,745	3.2429	-0.0065
c)	Qualified Foreign Investor	0	0	0	0.0000	0	0	0	0.0000	0.0000
d)	Other (specify)	0	0	0	0.0000	0	0	0	0.0000	0.0000
	i. NRI Rep	0	0	0	0.0000	6,346	0	6,346	0.0008	0.0008
	ii. NRI Non -Rept	2,18,808	0	2,18,808	0.0280	3,21,303	0	3,21,303	0.0410	0.0130
	iii. Foreign Bodies	0	0	0	0.0000	0	0	0	0.0000	0.0000
	iv. Foreign National	0	0	0	0.0000	0	0	0	0.0000	0.0000
Sub Total (B)(2)		2,76,20,039	20,27,587	2,96,47,626	3.7998	3,04,17,524	19,22,062	3,23,39,586	4.1306	0.3308
Total Public Shareholding (B)=(B)(1)+(B)(2)		2,76,20,039	20,27,587	2,96,47,626	3.7998	3,04,17,524	19,22,062	3,23,39,586	4.1306	0.3308
Total (A+B)		77,82,16,709	20,27,587	78,02,44,296	100.0000	78,10,14,194	19,22,062	78,29,36,256	100.0000	0.0000
(C)	Custodians for GDRs and ADRs	0	0	0	0.0000	0	0	0	0.0000	0.0000
GRAND TOTAL (A)+(B)+(C)		77,82,16,709	20,27,587	78,02,44,296	100.0000	78,10,14,194	19,22,062	78,29,36,256	100.0000	0.0000

ii. Shareholding of Promoters

#	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the year		% Change during the year
		Demat	% of Total Shares	Demat	% of Total Shares	
1.	HDFC Bank Limited	75,05,96,670	96.2002	75,05,96,670	95.8694	(0.3308)
	TOTAL	75,05,96,670	96.2002	75,05,96,670	95.8694	(0.3308)

Note: None of the shares held by the Promoters of the Company were pledged / encumbered.

iii. Change in Promoters' Shareholding

Name	Remarks	Benpos Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
HDFC BANK LTD	At the beginning of the Year	31-MAR-2017	75,05,96,670	96.2002	75,05,96,670	96.2002
	At the END of the Year	31-MAR-2018	0	0.000	75,05,96,670	95.8694

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No.	Name	Remarks	Benpos Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	HDB Employees Welfare Trust	At the beginning of the Year	31-MAR-2017	26,18,699	0.336	26,18,699	0.336
		At the END of the Year	31-MAR-2018	0	0.000	26,18,699	0.334
2	HDBFS Employees Welfare Trust	At the beginning of the Year	31-MAR-2017	19,22,062	0.246	19,22,062	0.246
		At the END of the Year	31-MAR-2018	0	0.000	19,22,062	0.245
3	Vistra ITCL (India) Limited	At the beginning of the Year	31-MAR-2017	0	0.000	0	0.000
		Increase	15-DEC-2017	14,81,284	0.189	14,81,284	0.189
		At the END of the Year	31-MAR-2018	0	0.000	14,81,284	0.189
4	Vinod G Yennemadi	At the beginning of the Year	31-MAR-2017	8,93,198	0.114	8,93,198	0.114
		At the END of the Year	31-MAR-2018	0	0.000	8,93,198	0.114
5	Harish H Engineer	At the beginning of the Year	31-MAR-2017	6,53,256	0.084	6,53,256	0.084
		At the END of the Year	31-MAR-2018	0	0.000	6,53,256	0.083

Sr. No.	Name	Remarks	Benpos Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
6	Ankita Paresh Sukthankar	At the beginning of the Year	31-MAR-2017	4,35,000	0.056	4,35,000	0.056
		At the END of the Year	31-MAR-2018	0	0.000	4,35,000	0.056
7	Ashish Parthasarthy	At the beginning of the Year	31-MAR-2017	4,15,278	0.053	4,15,278	0.053
		At the END of the Year	31-MAR-2018	0	0.000	4,15,278	0.053
8	Abhay Aima	At the beginning of the Year	31-MAR-2017	4,55,076	0.058	4,55,076	0.058
		Decrease	28-JUL-2017	20,000	0.003	4,35,076	0.056
		Decrease	11-AUG-2017	10,000	0.001	4,25,076	0.054
		Decrease	17-NOV-2017	5,000	0.001	4,20,076	0.054
		Decrease	01-DEC-2017	20,000	0.003	4,00,076	0.051
		At the END of the Year	31-MAR-2018	0	0.000	4,00,076	0.051
9	Pralay Mondal	At the beginning of the Year	31-MAR-2017	3,94,415	0.051	3,94,415	0.051
		At the END of the Year	31-MAR-2018	0	0.000	3,94,415	0.050
10	Huzaan Kaizad Bharucha	At the beginning of the Year	31-MAR-2017	3,90,000	0.050	3,90,000	0.050
		At the END of the Year	31-MAR-2018	0	0.000	3,90,000	0.050

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Name	Remarks	Benpos Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Bhavesh Zaveri	At the beginning of the Year	31-MAR-2017	2,90,193	0.037	2,90,193	0.037
		At the END of the Year	31-MAR-2018	0	0.000	2,90,193	0.037
2	Haren Parekh	At the beginning of the Year	31-MAR-2017	2,16,286	0.028	2,16,286	0.028
		Increase	08-DEC-2017	40,000	0.005	2,56,286	0.033
		At the END of the Year	31-MAR-2018	0	0.000	2,56,286	0.033
3	Jimmy M Tata	At the beginning of the Year	31-MAR-2017	3,21,021	0.041	3,21,021	0.041
		At the END of the Year	31-MAR-2018	0	0.000	3,21,021	0.041
4	Ramesh G	At the beginning of the Year	31-MAR-2017	4,74,500	0.061	4,74,500	0.061
		At the END of the Year	31-MAR-2018	0	0.000	4,74,500	0.061

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
a) Principal Amount	21,787	3,800	0	25,587
b) Interest due but not paid	-	-	-	-
c) Interest accrued but not due	671	72	0	743
Total (a+b+c)	22,458	3,872	0	26,330
Change in Indebtedness during the financial year				
Addition	23,534	10,348	-	33,882
Reduction	15,038	9,145	-	24,183
Net Change	8,496	1,203	-	9,699
Indebtedness at the end of the financial year				
a) Principal Amount	29,981	5,000	0	34,981
b) Interest due but not paid	-	-	-	-
c) Interest accrued but not due	973	75	0	1,048
Total (a+b+c)	30,954	5,075	0	36,029

Directors' Report

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

#	Particulars of Remuneration	Name of MD / WTD / Manager Ramesh G.
1.	Gross salary	
	a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961	3,46,38,128
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	24,123
	c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961	-
2.	Stock Options	-
3.	Sweat Equity	-
4.	Commission	-
5.	Company Car	28,800
Total (A)		3,46,91,051

B. Remuneration to other directors:

#	Remuneration to the Independent Directors	Venkatraman Srinivasan	Smita Affinwalla	Total Amount (in ₹)
1	Fees for attending Board/Committee Meetings	5,50,000	7,50,000	13,00,000
2	Commission	6,00,000	6,00,000	12,00,000
3	Others, please specify			
Total (1)		11,50,000	13,50,000	25,00,000

#	Remuneration to the Non Executive Directors other than Independent Directors	Bhavesh Zaveri	Jimmy Tata	Total Amount (in ₹)
1	Fees for attending Board/Committee Meetings	8,00,000	4,75,000	12,75,000
2	Commission	-	-	-
3	Others	-	-	-
Total (2)		8,00,000	4,75,000	12,75,000
Total (B)=(1+2)				37,75,000
Total Remuneration to Directors (A+B)				3,84,66,051

C. Remuneration To Key Managerial Personnel Other Than MD/Manager/WTD:

#	Particulars of Remuneration	Key Managerial Personnel		
		CFO	CS	Total Amount (in ₹)
1.	Gross salary			
	a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961	1,26,52,572	19,88,400	1,46,40,972
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	24,123	13,827	37,950
	c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Options	35,20,000	-	35,20,000
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
5.	Company Car	28,800	-	28,800
Total		1,62,25,495	20,02,227	1,82,27,722

8 PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A) Company					
Penalty			NIL		
Punishment					
Compounding					
B) Director					
Penalty			NIL		
Punishment					
Compounding					
C) Other Officers in Default					
Penalty			NIL		
Punishment					
Compounding					

Annexure E

Disclosure as per Section 197(12) of the Companies Act, 2013 pertaining to individuals employed throughout the year and were in receipt of remuneration of not less than ₹ 1,02,00,000/- per annum or ₹ 8,50,000/- per month

#	Name of the Employee	Designation of the Employee	Remuneration Received (in ₹)	Date of Commencement of employment	Age in years	Experience in years	Qualification and experience	Last employment held before joining
1	Mr. Ashish Ghatnekar	Head - Human Resources & Operations	1,64,20,489	01-Dec-08	48	25	MBA	Centurion Bank of Punjab
2	Mr. Deep Jaggi	Business Head	1,60,68,633	28-Oct-10	48	24	MBA	Cholamandalam DBS Finance
3	Mr. Dhaval Oza	Head - Channels	1,80,35,155	16-Jun-08	51	25	BE	Yes Bank
4	Mr. Ramesh G	Managing Director	3,46,91,051	03-Sep-07	48	26	MBA	Enam AMC Pvt.Ltd.
5	Mr. Haren Parekh	Chief Financial Officer	1,62,25,495	10-Oct-07	56	33	A.C.A.	CIBIL
6	Mr. Karthik Srinivasan	Business Head	1,08,69,715	30-Nov-15	46	21	PGDM	Mphasis Ltd
7	Mr. Rohit Patwardhan	Head - Risk	1,79,07,124	10-Dec-07	43	21	MBA	Citi Bank
8	Mr. Sarabjeet Singh	Business Head	1,78,89,034	22-Feb-08	45	22	MBA	GE Money
9	Mr. Sathya Ramanan	Business Head	1,12,12,476	24-Jan-08	43	21	MBA	Prime Financial
10	Mr. Venkata Swamy	Business Head	1,81,24,687	01-Aug-08	44	22	MBA	ICICI Bank

Note:

- Gross remuneration comprises salary, medical reimbursement, leave travel concession, allowances, monetary value of other perquisites computed on the basis of the Income Tax Act and Rules, leave encashment and performance bonus.
- All appointments were made in accordance with the terms and conditions as per Company rules.
- None of the above employee is a relative of any Director of the Company.
- None of the employees listed above hold 2% or more of the paid up share capital of the Company as at March 31, 2018.

Annexure F

Disclosures in terms of Section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- The ratio of the remuneration of the Managing Director to the median remuneration of employees of the Company for the financial year is 1:167.
- Percentage increase remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any in the financial year:

Designation	Percentage Increase
Managing Director & Chief Executive Officer *	69%
Chief Financial Officer	12%
Company Secretary	N.A.

*The increase in the remuneration includes increase given for salary alignment with the Managing Director / Chief Executive Officer of peer NBFCs.

- During the year under review there was 5% decrease in the median remuneration of the employees of your Company.
- As on March 31, 2018 there were 74,049 employees on the rolls of your Company.
- It is hereby affirmed that the remuneration paid during the year was as per the Remuneration policy of the Company.
- Average percentage increase in the salaries of employees other than the managerial personnel in the last financial year was 11% whereas the increase in the managerial remuneration was 41%.

Related Party Transaction Disclosure as per Section 188 of the Companies Act, 2013

Form No. AOC - 2

(Pursuant to clause (h) of sub - section (3) of section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts / arrangements entered into by the company with related parties referred to in sub - section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis: **NIL**
2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	1 HDFC Bank (Holding Company) 2 HDFC Securities Limited (Enterprise under Common Control of the Holding company)
(b)	Nature of contracts / arrangements / transactions	Banking & Other normal Business Transactions (Mentioned in the Notes forming part of the financial statements at Note No. 37)
(c)	Duration of the contracts/arrangements / transactions	Usually Annual, however depends on the nature of transaction
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Maintained at arm's length similar to third party contracts. Value of such transactions during the financial year is mentioned in the notes forming part of the financial statements at Note no. 37
(e)	Justification for entering into such contracts or arrangements or transactions	Competitive pricing and value of services rendered
(f)	Date(s) of approval by the Board, if any	N.A.
(g)	Amount paid as advances, if any	N.A.

Note: No advance is payable in respect of any of the above transactions.

Aditya Puri
Chairperson

Annexure H

Corporate Governance disclosures as per Section 134 of the Companies Act, 2013

1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders and is guided by a strong emphasis on transparency, accountability and integrity. The governance practices and processes ensure that the interest of all stakeholders are taken into account in a transparent manner and are firmly embedded into the culture of the organisation.

The Company has fair, transparent and ethical governance practices, essential for augmenting long-term shareholder value and retaining investor trust. This has been possible through continued efforts and commitment to the highest standards of corporate conduct.

The Company has a dynamic, experienced and well-informed Board. The Board along with its Committees with the Corporate Governance mechanism in place undertakes its fiduciary duties towards all its stakeholders. During the year under review, your Company has adopted a Board approved Corporate

Governance Code which will help the Company in attaining its objectives / goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure. The said Corporate Governance Code has been uploaded on the Company's website.

2. Board of Directors

The composition of the Board is in compliance with the provisions of Companies Act 2013 and Rules as amended from time to time. The Board of Directors comprises of six directors of which one-third of the total number of directors as Independent Directors. The Chairman of the Board is a Non-Executive Director.

The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions. None of the Directors of your Company are inter-se related to each other. The directors of the Company have wide experience in the field of finance, risk management, banking, human resources, general corporate management, economics, digitalisation and other allied fields which enable them to contribute effectively to your Company by providing valuable guidance and expert advice to the Management and add value in the decision making process of the Board of Directors in their capacity as directors of the Company.

The Independent Directors have been appointed for a fixed tenure of five years from their respective dates of appointment. All the Independent Directors have confirmed that they meet the criteria of independence laid down under the Companies Act 2013 and Rules made thereunder as amended from time to time.

The composition of the Board of Directors as at March 31, 2018, including the details of their DIN, meetings attended, other directorship and their shareholding are given below:

Name of the Director	Executive / Non-Executive / Chairman/ Independent /	DIN	Number of Board Meetings		No. of other Directorships	No. of shares held in the Company
			Held	Attended		
Mr. Aditya Puri	Chairman, Non-Executive Director	00062650	4	4	3	Nil
Mr. Bhavesh Zaveri	Non-Executive Director	01550468	4	4	3	2,90,193
Mr. Jimmy Tata	Non-Executive Director	06888364	4	3	1	3,21,021
Ms. Smita Affinwalla	Independent Director	07106628	4	4	2	Nil
Mr. Venkatraman Srinivasan	Independent Director	00246012	4	4	2	Nil
Mr. Ramesh G.	Managing Director & Chief Executive Officer	05291597	4	4	Nil	4,74,500

During the FY 2017 - 18, the Board of Directors met 4 (Four) times on April 18, 2017, July 19, 2017, October 16, 2017 and January 18, 2018. The requisite quorum was present for all the Meetings. These Meetings were well attended. The Board met at least once in a calendar quarter and the maximum time gap between any two Meetings was not more than one hundred and twenty days. During the year the Board met at regular intervals to discuss and decide on various business and policy matters of the Company.

3. Meetings of Independent Directors

As stipulated by the Code of Independent Directors under the Companies Act and Rules made thereunder as amended from time to time, one Meeting of Independent Directors was held during the year. The Meeting was conducted to enable Independent Directors discuss matters relating to Company's affairs and put forth their views without the presence of Non-Independent Directors and members of the Management.

At these Meetings, the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole, reviewed the performance of the Chairman of the Company, taking into account the views of Executive Directors and Non- Executive Directors, assessed the quality, quantity and timeliness of the flow of information between the Management and the Board and its Committees which is necessary for the Board to effectively and reasonably perform and discharge their duties. Both these Meetings were well attended.

During FY 2017 - 18, Seperate Meeting of Independent Director was held on April 18, 2017.

4. Committees of the Board

Your Company has eight Board level Committees - Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Asset Liability Committee, Risk Management Committee, Human Resource Committee and Information Technology Strategy Committee. All decisions pertaining to the constitution of Committees, appointment of members and terms of reference for Committee members are taken by the Board of Directors. Details on the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

a) Audit committee

The members of the Committee possess strong accounting and financial management knowledge. The Committee meets the composition requirement pursuant to the provisions of the Section 177 of the Companies Act, 2013. The Composition of the Audit Committee as on March 31, 2018 is as under:

- i. Mr. Venkatraman Srinivasan, Chairman (Independent Director)
- ii. Ms. Smita Affinwalla, Member (Independent Director)
- iii. Mr. Bhavesh Zaveri, Member (Non Executive Director)

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee includes discussions with the auditors on periodical basis, the observations of the auditors, recommendation for appointment, review & monitor the auditor's independence, performance and effectiveness of audit process, remuneration & terms of appointment of auditors, evaluation of internal financial controls and risk management systems, examination of financial statement before submission to the Board, effective implementation of vigil mechanism of the Company and also oversee compliance of internal control systems.

During the FY 2017 - 18, the Audit Committee met 4 (Four) times on April 17, 2017, July 17, 2017, October 16, 2017 and January 18, 2018.

b) Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) is formed in compliance with the provisions of the Section 178 of the Companies Act, 2013. The Composition of the NRC as on March 31, 2018 is as under:

- i. Ms. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Venkatraman Srinivasan, Member (Independent Director)
- iii. Mr. Jimmy Tata, Member (Non-Executive Director)
- iv. Mr. Bhavesh Zaveri, Member (Non-Executive Director)

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee includes an annual review of the Nomination & Remuneration Policy, recommend to the Board appointment & removal of the Directors, carry out director performance evaluation, formulate the criteria for determining qualifications, positive attributes and independence of a director, review remuneration paid to the employees & directors is as per the Nomination & Remuneration Policy and consider giving stock options to the employees in the form of equity shares of the Company.

During the FY 2017 - 18, the Nomination and Remuneration Committee met 3 (Three) times on April 17, 2017, July 17, 2017 and October 13, 2017.

c) Risk Management Committee

The Risk Management Committee was formed in compliance with Reserve Bank of India guidelines on Corporate Governance which monitors the risk management strategy of the Company. The composition of the Risk Management Committee is as follows:

- i. Mr. Jimmy Tata, Chairman (Non Executive Director)
- ii. Mr. Ramesh G., Member (Managing Director & Chief Executive Officer)
- iii. Mr. Rohit Patwardhan, Member (Head - Risk)

iv. *Mr. Sanjay Belsare, Member (Head - Information Technology)

*Mr. Sanjay Belsare was inducted to the Risk Management Committee effective July 19, 2017.

In order to ensure best governance practices, the Company has established risk management process for each line of its business and operations. These processes have been implemented through the specific policies adopted by the Board of Directors of the Company from time to time. Nevertheless, entire processes are subjected to robust independent internal audit review to arrest any potential risks and take corrective actions.

The Risk Management Committee of the Board has been in place since the commencement of business of the Company, meets on a quarterly basis and reports to the Board of Directors. The minutes of such meetings are tabled before the Board of Directors. The terms of reference of the Committee includes approval and monitoring of the Company's risk management policies and procedures, review of portfolio & its delinquency at a product level, approval and review of the NPA Management policy, reporting to the Board of Directors of the Company on periodical basis on the various matters and review of Information Technology Risk assessment of Information Technology systems.

During the FY 2017 - 18, the Risk Management Committee met 4 (Four) times on April 17, 2017, July 17, 2017, October 13, 2017 and January 17, 2018.

d) Asset Liability Committee

As per the Reserve Bank of India's guidelines on Asset-Liability Management (ALM) System in Non-Banking Financial Companies, the Asset Liability Committee was formed to oversee the implementation of ALM system and review its functioning periodically. The Composition of Asset Liability Committee as on March 31, 2018 is as under:

- i. Mr. Jimmy Tata, Chairman (Non Executive Director)
- ii. Mr. Ramesh G., Member (Managing Director & Chief Executive Officer)
- iii. Mr. Haren Parekh, Member (Chief Financial Officer)

The terms of reference of this Committee are in line with the regulatory requirements. The key responsibilities of the Committee include review & management of liquidity gaps and structural liquidity of the Company, review & management of interest rate sensitivity of the Company and develop a view on future direction on interest rate movements & decide on funding mixes.

During the FY 2017 - 18, the Asset Liability Committee met 4 (Four) times on April 17, 2017, July 17, 2017, October 13, 2017 and January 17, 2018.

e) Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee was formed as per the provisions of Section 135 of the Companies Act. The Composition of Committee as on March 31, 2018 is as under:

- i. Ms. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- iii. Mr. Ramesh G., Member (Managing Director & Chief Executive Officer)

The terms of reference of this Committee are in line with the regulatory requirements. The terms of reference of the Committee includes to formulate and recommend to the Board CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013, to recommend the amount of expenditure to be incurred on the CSR activities and to institute a transparent monitoring mechanism for implementation of the CSR activities.

During the FY 2017 - 18, the CSR Committee met 4 (Four) times on April 17, 2017, July 17, 2017, January 17, 2018 and March 8, 2018.

f) Human Resource Committee

The Board of Directors constituted Human Resource (HR) Committee to effectively manage human resource function of the Company. The Composition of the Committee as on March 31, 2018 is as under:

- i. Ms. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- iii. Mr. Ramesh G, Member (Managing Director & Chief Executive Officer)
- iv. Mr. Ashish Ghatnekar, Member (Head Human Recourse and Operations)

The key responsibilities of the HR Committee includes reviewing, monitoring & making recommendations on Human Resources strategy & policies that pertain to staffing, attrition, benefits & related issues that directly affect ability to recruit, develop and retain employees, reviewing and monitoring Employee development Programs such as training & talent management programs and over sighting on Key Compensation and Benefits policies to ensure that employee compensation is properly benchmarked to similar sized organisations.

During the FY 2017 - 18, the Human Resource Committee met 3 (Three) times on April 17, 2017, July 17, 2017 and January 17, 2018.

g) Stakeholders Relationship Committee

During the year under review, the Board of Directors constituted Stakeholders Relationship Committee as per the provisions of Section 178(5) of the Companies Act on April 18, 2017. The Composition of Stakeholders Relationship Committee of the Company as on March 31, 2018 is as under:

- i. Mr. Jimmy Tata, Member (Non Executive Director)
- ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- iii. Mr. Ramesh G., Member (Managing Director & Chief Executive Officer)

The key responsibilities of the Stakeholders Relationship Committee is to consider and resolve the grievances of the security holders of the Company such as complaints related to transfer of shares / debentures / bonds, non-receipt of balance sheet, non-receipt of interest / declared dividends etc. No complaints were pending for resolution for FY 2017 - 2018.

During the FY 2017 - 18, the Stakeholders Relationship Committee met once on October 13, 2017.

h) Information Technology Strategy Committee

As per the provisions of RBI Master Direction RBI/DNBS/2016-17/53 DNBS.PPD.No.04/66. 15.001/2016-17 dated June 08, 2017 pertaining to "Information Technology Framework for the NBFC Sector, during the year under review the Board of Directors constituted Information Technology (IT) Strategy Committee of the Company on July 19, 2017. The Composition of IT Strategy Committee as on March 31, 2018 is as under:

- i. Mr. Bhavesh Zaveri, Chairman (Non Executive Director)
- ii. Mr. Venkatraman Srinivasan, Member (Independent Director)
- iii. *Mr. Ramesh G., Member (Managing Director & Chief Executive Officer)
- iv. Mr. Sanjay Belsare, Member (Head - Information Technology)

*Mr. Ramesh G. was inducted to the IT Strategy Committee effective January 18, 2018.

The terms of reference of this Committee are in line with the regulatory requirements. The key responsibilities of the IT Strategy Committee include approving IT strategy & policy documents & ensuring that the management has put an effective strategic planning process in place, ascertaining that management has implemented processes & practices that ensure that the IT delivers value to the business, ensuring IT investments represent a balance of risks & benefits & their budgets are acceptable, monitoring the method that management uses to determine the IT resources needed to achieve strategic goals & provide high-level direction for sourcing & use of IT resources and ensuring proper balance of IT investments for sustaining Company's growth & becoming aware about exposure towards IT risks and controls.

Further, key responsibilities for outsourced operations of IT include instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner, defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing, developing sound & responsive outsourcing risk management policies & procedures commensurate with the nature, scope & complexity of outsourcing arrangements, undertaking a periodic review of outsourcing strategies & all existing material outsourcing arrangements, evaluating the risks & materiality of all prospective outsourcing based on the framework developed by the Board, periodically reviewing the effectiveness of policies & procedures, communicating significant risks in outsourcing to the Company's Board on a periodic basis, ensuring an independent review & audit in accordance with approved policies & procedures.

During the FY 2017 - 18, the IT Strategy Committee met twice on October 13, 2017 and January 17, 2018.

5. Attendance of the Committees

Type of meeting	No. of meetings held	Mr. Aditya Puri	Mr. Jimmy Tata	Mr. Bhavesh Zaveri	Mr. Ramesh G.	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla
Audit Committee	4	NA	NA	4	NA	4	4
Asset-Liability Committee	4	NA	4	NA	4	NA	NA
Risk Management Committee	4	NA	4	NA	4	NA	NA
Nomination and Remuneration Committee	3	NA	3	3	NA	3	3
Corporate Social Responsibility Committee	4	NA	NA	4	4	NA	4
Debenture Allotment Committee	16	NA	13	15	13	NA	NA
Share Allotment Committee	2	NA	2	1	2	NA	NA
Bond Allotment Committee	2	NA	2	2	2	NA	NA
Human Resource Committee	3	NA	NA	3	3	NA	3
Stakeholders Relationship Committee	1	NA	1	1	1	NA	NA
Information Technology Strategy Committee	2	NA	NA	2	NA*	2	NA
Separate Meeting of Independent Directors	1	NA	NA	NA	NA	1	1

*Mr. Ramesh G. was inducted to the IT Strategy Committee effective January 18, 2018

Sitting fees of ₹ 50,000/- per meeting was paid to all the Non-Executive Directors of the Company (Other than Mr. Aditya Puri) for attending the meetings of Board of Directors and ₹ 25,000/- for Committee meetings. The Board of Directors, at its meeting held on July 19, 2017 had revised sitting fees for attending Board and Audit Committee Meeting to ₹ 75,000/- and ₹ 50,000/- respectively, thereafter as compared to ₹ 50,000/- and ₹ 25,000/- respectively paid earlier. The fees for attending the meetings of Audit Committee, Risk Management Committee, Asset Liability Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Human Resource Committee, Stakeholders Relationship Committee, Information Technology Strategy Committee and separate meeting of Independent Directors of the Company is ₹ 25,000/-.

6. Performance Evaluation of Board, its Committees and Directors

The Nomination and Remuneration Committee (NRC) had approved a framework for performance evaluation of the Board of Directors, its Committees and the individual Board members in terms of Guidance note on Board evaluation issued by SEBI on January 5, 2017 vide its circular no. SEBI/HO/CFD/CMD/CIR/P/2017/004.

Pursuant to the provisions of the Companies Act, 2013 and Rules made thereunder as amended from time to time, the Board has carried out an annual performance evaluation of its own performance, evaluation of the working of its Committees as well as performance of all the Directors individually (including Independent Directors). Feedback was sought by well-defined and structured questionnaires covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, areas of responsibility, execution and performance of specific duties, obligations and governance, compliance, etc.

The evaluation involves self-evaluation by the Board Member and subsequent assessment by the Board of Directors. A member of the Board will not participate in the discussion of his / her evaluation.

A separate exercise was carried out by the Nomination and Remuneration Committee of the Board to evaluate the performance of individual Directors who were evaluated on several parameters such as level of engagement and contribution, high standards of ethics and integrity, and knowledge acquired with regard to the Company's business / activities.

The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Executive Directors and Non-Executive Directors.

The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Director being evaluated. Performance evaluation of the Board and of its Committees were carried out by the Board. Qualitative comments and suggestions of Directors were taken into consideration by the Chairman of the Board and the Chairman of the Nomination and Remuneration Committee. The Directors have expressed their satisfaction with the evaluation process.

7. Related Party Transactions

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.

During the year under review the Board of Directors of your Company have approved the Related Party Transactions Policy, which governs the following:

- a. Identifying related parties, updating and maintaining the database of such persons / entities;
- b. Ascertaining that the transactions entered with the related parties are in 'ordinary course of business' and at 'arm's length basis';
- c. Identifying related party transactions;
- d. Obtaining approvals before entering into any related party transactions;
- e. Determining the disclosures / compliances to be adhered in relation to the related party transactions.

The said policy has been displayed on the website of the Company: <https://www.hdbfs.com/policies>.

All related party transactions are placed before the Audit Committee and the Board for their approval on quarterly basis. Transactions with related parties, as per the requirements of Accounting Standard 18, are disclosed to the notes to accounts annexed to the financial statements.

All the related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business.

8. General Body meetings (FY 2017-18)

Annual General Meeting

Date	Time	Venue	Special resolutions passed
June 23, 2017	12 noon	HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad. Gujarat - 380 009	<ol style="list-style-type: none"> 1. Re-appointment of Mr. Ramesh G. as a Managing Director of the Company 2. Approval for issue Secured Redeemable Non-Convertible Debentures <ol style="list-style-type: none"> a. For renewal of existing limit of ₹ 3,140 crore b. For approval of new limit of ₹ 7,500 crore 3. Approval for Issuance of Unsecured Redeemable Non-Convertible Subordinated Bonds 4. Issue of Unsecured Redeemable Perpetual Debt Instruments ('PDIs') 5. Approval for payment of Profit Related Commission to Independent Directors 6. To approve Employees Stock Option Scheme 7. To approve Securitisation Transaction with the HDFC Bank Limited

Attendance at the AGM

Name of Directors	Mr. Aditya Puri	Mr. Jimmy Tata	Mr. Bhavesh Zaveri	Mr. Ramesh G.	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla
Attendance	No	No	No	Yes	Yes	No

No Extraordinary General Meeting of the Shareholders was held during the year.

9. Postal Ballot

Details of Resolutions passed through Postal Ballot during the Financial Year 2017-18.

During the year, 5 (Five) resolutions were passed through Postal Ballot. Mr. Mitesh Shah, of M/s. Mitesh J. Shah & Associates, Company Secretaries was appointed as the Scrutiniser for overseeing the Postal Ballot voting process. The details are as follows:

- ❖ Date of Postal Ballot Notice: April 18, 2017
Voting period: May 03, 2017 to June 01, 2017
Date of approval: June 03, 2017
Date of Declaration of Results: June 03, 2017

Following are the special resolutions approved by the shareholders through Postal Ballot.

1. To approve increase in borrowing limits of the Company from ₹ 40,000 crore to ₹ 50,000 crore;
2. To approve increase in limits for creation of charge on the assets of the Company upto an amount of ₹ 50,000 crore to secure its borrowings;
3. To approve selling, assignment of its receivables / book debts upto ₹ 6,500 crore.

- ❖ Date of Postal Ballot Notice: October 16, 2017
Voting period: October 31, 2017 to November 29, 2017
Date of approval: December 04, 2017
Date of Declaration of Results: December 04, 2017

Following are the special resolutions approved by the shareholders through Postal Ballot.

1. Approval for Adoption of Memorandum of Association ("MOA")
2. Approval for Adoption of Articles of Association ("AOA")

10. Shareholding pattern as at March 31, 2018

Name of Shareholder	No. of equity shares held	%
HDFC Bank Ltd.	75,05,96,670	95.87
Others	3,23,39,586	4.13
Total (Issued & Paid-up Shares)	78,29,36,256	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 at 31 March 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair

Independent Auditors' Report (Contd.)



view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that:

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act;
- (e) on the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) with respect to the adequacy of the internal financial controls with reference to the financial statement of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 31 to the financial statements;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses - Refer Note 32 to the financial statements;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
 - iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Manoj Kumar Vijai

Partner

Membership No: 046882

Annexure A to the Independent Auditor's Report of even date on the financial statements of HDB Financial Services Limited



- (i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. The Company has a program of verification to cover all the items of the fixed assets in a phased by which all fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - c. According the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable property is held in the name of the Company.
- (ii) The Company is in the business of providing services and does not have any physical inventories. Accordingly, the provision of clause 3(ii) of the Order is not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provision of clause 3(iii) of the Order is not applicable to the Company.
- (iv) According to the information and explanations given to us the Company has not granted any loans, made investments or provided guarantees under section 185 and 186 of the Act. Accordingly, the provision of clause 3 (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.
- (vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the services rendered by the Company. Accordingly, paragraph 3(vi) of the Order is not applicable.
- (vii) a) According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities except in case of provident fund where whilst the Company has demonstrated its ability to pay such amounts, for certain employees, the same have not been accepted by the PF authority on account of delay in linking of aadhar number by such employees of the Company to the provident fund account. As explained to us, the Company did not have any dues on account of sales tax, duty of customs, value added tax and duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, cess and other material statutory dues were in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

 - b) According to the information and explanations given to us, the Company did not have any dues on account of income tax, sales tax, service tax, duty of customs, value added tax or duty of excise which have not been deposited on account of disputes.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, Government or debenture holders.
- (ix) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised. The Company has not raised any money by way of initial public offer or further public offer during the year.

**Annexure A to the Independent Auditor's Report of even date on
the financial statements of HDB Financial Services Limited (Contd.)**



- (x) 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, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, the Provision of Clause 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.
- (xiv) According to the inforamtion and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provision of clause 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records, during the year, the Company has not entered into any non-cash transactions with directors or persons connected with him and hence the provision of Section 192 of the Act is not applicable.
- (xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration dated December 31, 2007.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

Manoj Kumar Vijai

Partner

Membership No: 046882

Mumbai,
16 April 2018

Annexure B to the Independent Auditor's Report of even date on the financial statements of HDB Financial Services Limited



Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of HDB Financial Services Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Annexure - B to the Independent Auditor's Report of even date on
the financial statements of HDB Financial Services Limited (Contd.)
Inherent Limitations of Internal Financial Controls over Financial Reporting**



Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Sd/-
Manoj Kumar Vijai
Partner
Membership No: 046882

Mumbai
16 April 2018

Balance Sheet as at March 31, 2018



(₹ in crore)

Particulars	Note	As at March 31, 2018	As at March 31, 2017
EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	4	782.94	780.24
(b) Reserves and surplus	5	5,419.29	4,582.66
		6,202.23	5,362.90
2 Non-current liabilities			
(a) Long-term borrowings	6	21,860.59	18,760.22
(b) Other long term liabilities	7	145.72	159.74
(c) Long-term provisions	8	265.73	212.48
		22,272.04	19,132.44
3 Current liabilities			
(a) Short-term borrowings	9	3,000.24	2,080.00
(b) Trade payables	10		
i) total outstanding dues to micro and small enterprises		-	-
ii) total outstanding dues of creditors other than micro and small enterprises		339.93	283.27
(c) Other current liabilities	11	12,263.94	6,092.29
(d) Short-term provisions	8	675.54	505.19
		16,279.65	8,960.75
TOTAL		44,753.92	33,456.09
ASSETS			
1 Non-current assets			
(a) Fixed assets	12		
(i) Tangible assets		129.72	125.79
(ii) Intangible assets		7.30	5.18
(iii) Capital work-in-progress		-	0.24
(b) Non-current investments	13	30.71	65.06
(c) Deferred tax assets (net)	14	185.67	138.45
(d) Long - term loans and advance :			
- Receivables under financing activity	15	30,841.37	24,066.58
- Other loans and advances	16	41.23	50.28
		31,236.00	24,451.58
2 Current assets			
(a) Current investments	17	400.00	400.00
(b) Trade receivables	18	126.44	115.42
(c) Cash and bank balances	19	137.03	188.70
(d) Short-term loans and advances			
- Receivables under financing activity	15	12,731.34	8,225.22
- Other loans and advances	16	38.88	14.14
(e) Other current assets	20	84.23	61.03
		13,517.92	9,004.51
TOTAL		44,753.92	33,456.09
Significant accounting policies and notes to the Financial Statements	2		

The notes referred to above form an integral part of the Financial Statements.

As per our report of even date attached
For **B S R & Co. LLP**

Chartered Accountants
Firms' Registration No: 101248W/W-100022

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
April 16, 2018

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
Aditya Puri
Chairman

Sd/-
Smita Affinwalla
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Jimmy Tata
Director

Sd/-
G Ramesh
Managing Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Bhavesh Zaveri
Director

Statement of Profit and Loss for the year ended March 31, 2018



(₹ in crore)

Particulars	Note	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from operations	21	7,059.91	5,711.35
Other income	22	2.08	3.19
Total Revenue		7,061.99	5,714.54
Expenses			
Employee benefits expense	23	2,240.32	1,896.65
Finance costs	24	2,357.12	2,049.92
Depreciation and amortization	12	45.31	38.62
Other expenses	25	435.37	331.17
Provisions and write offs	26	519.35	339.59
Total expenses		5,597.47	4,655.95
Profit before tax		1,464.52	1,058.59
Tax expense:			
a. Current tax		560.00	389.28
b. Deferred tax (credit)		(47.22)	(17.36)
c. Income tax for earlier year		0.00	2.46
Total tax expense		512.78	374.38
Profit for the year before impact of the scheme of Amalgamation relating to FY 2014-15 and 2015-16		951.74	684.21
Impact of the scheme of Amalgamation relating to financial year 2014-15 and 2015-16			
Profit after tax of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, the amalgamating companies	3	-	14.56
Profit for the year		951.74	698.77
Basic earnings per equity share (Face value ₹ 10 each)	27	12.18	9.64
Diluted earnings per equity share (Face value ₹ 10 each)	27	12.16	9.64
Significant accounting policies and notes to the Financial Statements	2		

The notes referred to above form an integral part of the Financial Statements.

As per our report of even date attached
For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W/W-100022

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Sd/-
Aditya Puri
Chairman

Sd/-
Smita Affinwalla
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Jimmy Tata
Director

Sd/-
G Ramesh
Managing Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Bhavesh Zaveri
Director

Mumbai
April 16, 2018

Cash flow statement for the year ended March 31, 2018



(₹ in crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
A Cash flow from operating activities		
Profit before tax	1464.52	1058.59
Adjustments for		
(Profit)/loss on sale of asset	0.15	0.14
Interest Expenses	2092.10	1821.45
Interest Income	(5146.05)	(4087.08)
Gain on sale of current investment (net)	(2.08)	(1.24)
Dividend Income	-	(1.95)
Discount on commercial paper	256.25	219.76
Provision and write offs	519.35	339.59
Provision for compensated absence and gratuity	12.26	14.87
Depreciation and amortisation	45.31	38.62
Operating cash flow before working capital changes	(758.19)	(597.23)
Adjustments for working capital changes:		
(Increase)/ decrease in trade receivables	(11.02)	(52.28)
(Increase)/decrease in advances	27.57	(77.44)
(Increase)/decrease in other current assets	(281.15)	(244.96)
Increase/(decrease) in other liabilities and provisions	(779.24)	(815.94)
Increase/(decrease) in trade payables	56.67	80.24
(Increase)/Decrease in Receivables under financing activity (net)	(11280.91)	(7882.21)
Interest Paid	(1786.53)	(1577.82)
Interest Received	5147.75	4087.31
Dividend Received	-	1.95
Cash generated from operations	(9665.05)	(7078.38)
Direct taxes paid (net of refunds)	390.00	287.23
Net cash flow generated from/(used in) operating activities (A)	(9275.05)	(6791.14)
B Cash flow from investing activities		
Purchase of fixed assets	(51.40)	(74.29)
Proceeds from sale of fixed assets	0.15	0.29
Purchase of long term investments	-	(15.64)
Sale of long term investments	34.35	-
Purchase of short term investments	(1985.00)	(1350.00)
Sale of short term investments	1987.08	1251.24
Net cash generated from/(used in) investing activities (B)	(14.82)	(188.40)

Cash flow statement for the year ended March 31, 2018 (Contd.)



(₹ in crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
C Cash flow from financing activities		
Proceeds from issue of shares and security premium	28.73	1111.73
Proceeds from borrowings	33577.00	23944.00
Repayment of borrowings	(24183.13)	(17969.10)
Dividend & Tax paid on dividend	(141.15)	(127.40)
Net cash generated from/(used in) financing activities (C)	9,281.45	6,959.23
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(8.42)	(20.31)
Add : Cash and cash equivalents as at the beginning of the year	70.03	60.79
Add : Cash and cash equivalents acquired pursuant to Scheme of Amalgamation (Refer note 3)	-	29.56
Cash and cash equivalents as at the end of the year*	61.61	70.03
*Components of cash and cash equivalents		
Balances with banks	33.22	41.66
Demand drafts on hand	10.66	14.70
Cash on hand	17.73	13.67
	61.61	70.03

The above cash flow statement has been prepared under the indirect method set out in Accounting Standard (AS) 3, 'Cash Flow Statement' notified pursuant to the Companies (Accounts) Rules, 2014. All figures in brackets indicate outflow.

As per our report of even date attached
For **B S R & Co. LLP**

Chartered Accountants
Firms' Registration No: 101248W/W-100022

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
April 16, 2018

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-
Aditya Puri
Chairman

Sd/-
Smita Affinwalla
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Jimmy Tata
Director

Sd/-
G Ramesh
Managing Director

Sd/-
Haren Parekh
Chief Financial Officer

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Bhavesh Zaveri
Director

1 Overview

HDB Financial Services Ltd. ('the Company'), incorporated in Ahmedabad, India is a non deposit taking Non Banking Financial Company ('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 and insurance services. The Company also carries a Business Process Outsourcing ('BPO') business and provides back-office processing services and is also engaged in the business of marketing and promotion of the various financial products.

2 Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention as a going concern and on accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles in India ('Indian GAAP') and conform to the statutory requirements, circulars and guidelines issued by the RBI from time to time to the extent they have an impact on the financial statements and current practices prevailing in India. The financial statements have been prepared to comply in all material respects with the Accounting Standards ('AS') notified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable.

2.2 Use of estimates

The preparation of financial statements in conformity with 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.

2.3 Advances

Advances are classified as standard, sub - standard and doubtful assets as per the Company policy approved by the Board. The rates applied for making provisions on non-performing advances are higher than those required by 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. Loan assets are recognised on disbursement of loan and in case of new asset financing on the transfer of ownership.

2.4 Fixed assets and depreciation

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprise purchase price and any attributable cost of bringing the asset to its working condition for its 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 assets on a straight line basis in the manner prescribed in Schedule II of the Companies Act, 2013, except for assets as under :-

Assets	Estimated useful life as assessed by the Company	Estimated useful life under Schedule II of Companies Act, 2013
Motor cars	4 years	8 years

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is lower.
- Items costing less than ₹ 5,000/- are fully depreciated in the year of purchase.
- The Company has estimated Nil residual value at the end of the useful life for all block of assets.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Company.

Intangible fixed assets

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to bring the same in working condition and the useful life of the same is estimated of 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

2.5 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.

2.6 Investments

Investments expected to mature after twelve months are taken as long term/ non current investment and stated at cost. Provision is recognised only in case of diminution, which is other than temporary in nature. 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 recognised as short term/ current investments and are valued at lower of cost and net realizable value.

2.7 Employee benefits

Long term employee benefits

a) Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or 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 fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined benefit plan 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 Act, 1952. The Company contributes an amount, on a monthly basis, at a determined rate 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 but are permitted to carry forward subject to a prescribed maximum days. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits issued by Institute of Chartered Accountants of India. The provision is based on an independent external actuarial valuation as at the balance sheet date.

2.8 Operating 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.

2.9 Revenue recognition

Interest income is recognized in the statement of profit and loss on an accrual basis. In case of Non Performing Assets ('NPA') 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.

Income from BPO services and other financial charges are recognized on an accrual basis, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.

Upfront /processing fees are recovered and recognised at the time of disbursement of loan.

Income from dividend is recognized in the statement of profit and loss when the right to receive is established.

2.10 Taxation

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

a) Current tax

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

b) Deferred tax

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

2.11 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 after giving impact of dilutive potential equity shares 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.

2.12 Provisions and contingences

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

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

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

Contingent assets are not recognized in the financial statements.

2.13 Borrowing costs

Interest on borrowings is recognized in statement of profit and loss on an accrual basis. Costs associated with borrowings are grouped under financial charges along with the interest costs.

2.14 Cheques on hand

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.

2.15 Income from Securitisation / Assignments

- I) Prior to Issuance of RBI Circular dated August 21, 2012
 - a) On receivables being assigned / securitised, the assets are de-recognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser.
 - b) Gains arising on assignment of receivables will be recognised at the end of the tenure of assignment contract as per the RBI guidelines, while loss, if any is recognised upfront.
- II) Post Issuance of RBI Circular dated August 21, 2012
 - a) Securitised receivables are de-recognised in the balance sheet when they are sold i.e. they meet true sale criteria
 - b) Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle Trust (SPV).
 - c) The excess interest spread on the securitisation transactions are recognised in the statement of Profit and Loss only when it is redeemed in cash by the SPV after adjusting for overdue receivable for more than 90 days. Losses if any, are recognised upfront.

2.16 Loan origination costs

Brokerage, commission, incentive to employee, etc. paid at the time of acquisition of loans are charged to revenue.

2.17 Provisioning on receivables from financing activity

The Company assesses all receivables for their recoverability and accordingly recognises provision for non performing and doubtful assets as per approved Company policies and guidelines. The Company ensures provisions made are not lower than as stipulated by RBI guidelines.

The Company provides 0.40% on standard assets under the head 'Contingent Provision against Standard Assets' as stipulated by RBI Master direction (RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17) issued on September 1, 2016 Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended.

3 Amalgamation of Atlas Documentary Facilitators Private Limited and HBL Global Private Limited with the Company

Pursuant to the Scheme of Amalgamation (Scheme) under section 391 to 394 of the Companies Act 1956 for amalgamation of erstwhile HBL Global Private Limited (eHBL/ Transferor Company 1) and erstwhile Atlas Documentary Facilitators Company Private Limited (eADFC/ Transferor Company 2) with the Company as sanctioned by the Honourable High Court of Bombay and Honourable High Court of Gujarat & filed with the Registrar of Companies, the entire business with all the assets, liabilities, reserves and surplus of Transferor Companies were transferred to and vested in the Company, on a going concern basis with effect from appointed date of 1 April 2014, while the Scheme has become effective from 1 December 2016. Since the Scheme received all the requisite approvals after the financial statements for the years ending 31 March 2015 and 31 March 2016 were authorised by the shareholders, the impact of amalgamation has been given in the previous financial year i.e. FY 2016-17 with effect from the appointed date.

The Amalgamation has been accounted as per "Pooling of Interest" method as prescribed by the Accounting Standard 14 "Accounting for Amalgamations". Accordingly, the accounting treatment has been given as under:-

- 1) The assets and liabilities as at April 1, 2014 of eHBL & eADFC were incorporated in the financial statement of the Company at its book value.
- 2) Pursuant to the Scheme, the Company
 - a) Issued 102.35 equity shares of ₹ 10 each to the shareholders of eHBL for every 1 share of ₹ 10 each held by them in share capital of eHBL after cancellation of 10,000 shares held by eADFC in share capital of eHBL.
 - b) Issued 16.75 equity shares of ₹ 10 each of the Company to the shareholders of eADFC for every 1 share of ₹ 10 each held by them in the share capital of eADFC as detailed below.

Particulars	eHBL shareholders (HDB : eHBL)	eADFC shareholders (HDB : eADFC)
Share Exchange Ratio	102.35 : 1	16.75 : 1
Share capital of the Transferor Company	10,200	4,50,180
No. of shares cancelled as per Clause 7.5 of the Scheme (Inter Company holdings)	10,000 (Shares held by eADFC)	-
Number of New Equity Shares issued	20,470	75,40,515

- 3) In terms of the Scheme, assets acquired and liabilities discharged are as under: (₹ in crore)

Particulars	eADFC	eHBL	Total
Appointed date of Amalgamation (April 01, 2014)			
Assets			
Tangible assets (net of depreciation provision)	1.24	13.62	14.86
Capital work-in-progress	-	1.13	1.13
Deferred tax assets	5.59	4.13	9.72
Other loans and advances	0.46	4.84	5.30
Trade receivables	33.51	2.23	35.74
Cash & Bank balance	66.92	13.21	80.13
Short-term loans and advances	0.02	0.66	0.68
Other current asset	38.50	15.14	53.64
Total Assets	146.24	54.96	201.20
Liabilities			
Other long term liabilities	-	19.45	19.45
Long-term provisions	-	6.63	6.63
Trade payables	0.04	-	0.04
Other current liabilities	47.96	4.75	52.71
Short-term provisions	39.33	15.45	54.78
Total Liabilities	87.33	46.28	133.61
Net Book Value of assets acquired pursuant to the Scheme	58.92	8.68	67.59
Less - 75,60,985 shares issued at face value by the Company to shareholder of eHBL and eADFC pursuant to the Scheme	7.54	0.02	7.56
Less - Transfer of share premium of eADFC	0.03	-	0.03
Less - Transfer of surplus of statement of profit and loss	58.45	8.67	67.12
Adjustment to Statement of profit and loss	(7.10)	(0.01)	(7.11)

- 4) Operations of eADFC & eHBL from April 1, 2014 to March 31, 2016, as detailed below, have been accounted for in the current year's statement of profit and loss, after the profit for the year before impact of the scheme of amalgamation

(₹ in crore)

Particulars	eADFC	eHBL	Total
Revenues			
Revenue from operations	835.77	1,174.51	2,010.28
Other income	10.02	9.18	19.20
Total revenues	845.79	1,183.69	2,029.48
Expenses			
Employee benefits expense	816.70	1,094.42	1,911.11
Depreciation and amortization expense*	0.89	8.33	9.22
Other expenses	16.31	70.75	87.06
Total expenses	833.89	1,173.49	2,007.39
Profit before tax	11.90	10.20	22.10
Tax expense			
Current tax	3.27	5.35	8.62
Deferred tax	1.22	(2.11)	(0.89)
Tax adjustments of prior years (net)	-	(0.19)	(0.19)
Profit for the year	7.41	7.15	14.56

*The depreciation of tangible assets includes adjustment on account of alignment of accounting policy arising from the amalgamation for the period 1 April 2014 to 31 March 2016, aggregating to ₹0.57 crores.

4 Share capital

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Authorised		
1,00,15,50,000 (Previous Year 1,00,15,50,000) equity shares of ₹ 10 each	1,001.55	1,001.55
Issued, Subscribed & Paid up		
78,29,36,256 (Previous Year 78,02,44,296) equity shares of ₹ 10 each fully paid	782.94	780.24
Total	782.94	780.24

4.1 Reconciliation of the number of shares

(₹ in crore)

Particulars	March 31, 2018		March 31, 2017	
	Number	Amount	Number	Amount
Equity shares of ₹10 fully paid up				
Shares outstanding at the beginning of the year	780,244,296	780.24	700,172,426	700.17
Shares issued - exercised for ESOP scheme	2,691,960	2.70	1,579,440	1.58
Shares issued - right issue	-	-	70,931,445	70.93
Shares issued pursuant to the Scheme of Amalgamation (Refer note 4.5)	-	-	7,560,985	7.56
Shares outstanding at the end of the year	782,936,256	782.94	780,244,296	780.24

4.2 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. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets 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. The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by shareholders at the Annual General Meeting.

4.3 Details of shareholders holding more than 5% of the aggregate shares in the Company

Particulars	March 31, 2018		March 31, 2017	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity shares of ₹ 10 fully paid up				
HDFC Bank Limited (Holding Company)	750,596,670	95.87	750,596,670	96.20

4.4 Number of shares reserved for ESOPs

Particulars	March 31, 2018	March 31, 2017
Equity shares of ₹ 10 fully paid up		
Number of Shares reserved for ESOPs (Refer note 36)	6,269,950	5,878,660

- 4.5 Pursuant to the Scheme of Amalgamation of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, 7,560,985 shares of face value ₹ 10 each were issued during the previous year to the shareholders of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd for consideration other than cash.

5 Reserves and surplus

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Securities premium account		
Opening balance	2,831.51	1,792.26
Add : Pursuant to implementation of Scheme of Amalgamation (Refer note 3)	-	0.03
Add : Additions during the year on account of issue of shares	26.04	1,039.22
Closing balance	2,857.55	2,831.51
Statutory Reserve u/s 45 IC(1) of Reserve Bank of India Act, 1934		
Opening balance	394.43	254.68
Add : Additions during the year	190.35	139.75
Closing balance	584.78	394.43
Surplus in statement of profit and loss		
Opening balance	1,356.71	814.69
Add : Profit for the year	951.74	698.77
Add: Amount transferred pursuant to the Scheme of Amalgamation (Refer note 3)	-	67.12
Less : Adjustment pursuant to the Scheme of Amalgamation (Refer note 3)	-	7.11
Less : Dividend & Dividend Distribution Tax from FY 14-15 & FY 15-16 eADFC pursuant to Scheme of Amalgamation (Refer note 3)	-	0.16
Less : Transfer to Statutory Reserve u/s 45 IC (1) of RBI Act, 1934	190.35	139.75
Less : Final Dividend FY 2016-17	46.81	-
Less : Dividend Distribution Tax FY 2016-17	9.53	-
Less : Interim Dividend FY 2017-18	70.46	63.84
Less : Dividend Distribution Tax FY 2017-18	14.34	13.00
Closing balance	1,976.96	1,356.71
	5,419.29	4,582.66

6 Long term borrowings

(₹ in crore)

Particulars	Non Current		Current	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Secured				
(a) Privately placed redeemable non convertible debenture (Refer note 6.3) Secured by pari passu charge by mortgage of Company's Office no.130, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity. Less : Shown under other current liabilities. (Refer note 11)	10,460.00	11,240.80	7,037.80	1,963.00
	-	-	7,037.80	1,963.00
	10,460.00	11,240.80	-	-
(b) Term loans from banks against hypothecation of Receivables under financing activity (Refer note 6.2, 6.4.1, 6.4.2)	9,400.59	5,299.42	3,082.34	2,783.83
(c) Term loan from NBFC against hypothecation of Receivables under financing activity(Refer note 6.4.3)	-	500.00	-	-
Less : Shown under other current liabilities. (Refer note 11)	-	-	3,082.34	2,783.83
	9,400.59	5,799.42	-	-
Unsecured				
Privately placed subordinated (Tier II) redeemable bonds (Refer note 6.5)	2,000.00	1,720.00	-	-
	2,000.00	1,720.00	-	-
	21,860.59	18,760.22	-	-

- 6.1 No term loans, non convertible debentures, subordinate debts, commercial paper and any other borrowing is guaranteed by directors and / or others.
- 6.2 Non current portion of term loans availed from related parties is ₹ 909.08 crores (Previous Year: ₹ 581.83 crores).
- 6.3 Terms of repayment of privately placed redeemable non convertible debenture. (Non Current portion)

Previous year figures are in (brackets)

Rate of interest (%)	1-3 years	3-5 years	>5 years	Total
7.0-7.5	2,515.00	-	-	2,515.00
	-	-	-	-
7.5-8.5	5,982.00	817.00	-	6,799.00
	(5,897.00)	-	-	(5,897.00)
8.5-9.5	996.00	-	-	996.00
	(4,854.00)	-	-	(4,854.00)
9.5-10.5	150.00	-	-	150.00
	(489.80)	-	-	(489.80)
	9,643.00	817.00	-	10,460.00
	(11,240.80)	-	-	(11,240.80)

- 6.3.1 All the above non convertible debentures are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year (Refer Note 69).

6.4.1 Terms of repayment of Term loans from bank (Non current portion)

Previous Year figures are in (brackets)

Marginal Cost of Funds Based Lending Rate (MCLR)	1-3 years	3-5 years	Total
1 Month MCLR + (0.00% to 0.25%)	1,075.00	0.00	1,075.00
	-	-	-
3 Month MCLR + (0.00% to 0.75%)	3,383.17	1,964.39	5,347.56
	(2,483.28)	-	(2,483.28)
6 Month MCLR + (0.00% to 0.25%)	136.36	-	136.36
	(581.62)	-	(581.62)
1 Year MCLR + (0.00% to 0.25%)	591.67	-	591.67
	(2,201.19)	(33.33)	(2,234.52)
1 Year MCLR + (0.25% to 1.25%)	1,000.00	-	1,000.00
	-	-	-
	6,186.20	1,964.39	8,150.59
	(5,266.09)	(33.33)	(5,299.42)

6.4.2 Terms of repayment of Term loans from Banks (Non current portion).

Previous Year figures are in (brackets)

Rate linked to T-Bills rates	1-3 years	3-5 years	Total
3 Month T-Bills rates (0.00% to 2.50%)	850.00	400.00	1,250.00
	-	-	-

6.4.3 Terms of repayment of Term loans from NBFC (Non current portion).

Previous Year figures are in (brackets)

Overnight Indexed Swap (OIS)	1-3 years	3-5 years	Total
3 Month OIS (0.00% to 2.50%)	-	-	0.00
	(500.00)	-	(500.00)

6.4.4 All the above Term loans are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year (Refer Note 69).

6.5 Terms of repayment of Privately placed unsecured subordinated (Tier II) redeemable bonds (Non current portion).

Previous year figures are in (brackets)

Rate of interest	<5 year	>5 years	Total
8.0-10.5	600.00	1,400.00	2,000.00
8.0-10.5	-	(1720.00)	(1720.00)

7 Other long term liabilities

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Deposits (not as defined in Section 2(31) of Companies Act, 2013)	9.85	9.85
Interest accrued but not due on borrowings	123.60	141.34
Other payables	12.27	8.55
Total	145.72	159.74

8 Long term and short term provisions

(₹ in crore)

Particulars	Non Current		Current	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
(a) Provision for employee benefits				
- Gratuity (funded)	16.22	11.98	14.00	8.00
- Compensated absence (unfunded)	7.76	7.16	11.63	10.21
- Salary, bonus and reimbursements	-	-	187.18	139.78
- Contribution to provident fund	-	-	14.47	8.50

Particulars	Non Current		Current	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
(b) Others				
- Provision for doubtful debts (Refer note 44A)	34.42	20.69	239.72	178.19
- Provisions for other receivables	-	-	6.92	-
- Provisions for tax (Net of advance tax ₹ 390 crores, Previous Year ₹ 285 crores)	-	-	40.02	48.87
- Provision for expenses	-	-	79.51	55.37
- Contingent provision against standard assets (Refer note 44B)	122.65	83.89	48.88	27.50
- General provisions (Refer note 44B)	83.33	87.77	33.21	28.77
- Provision for diminution in the value of investments in Clayfin Technologies Private Limited (Erstwhile Vayana Private Limited)	1.35	1.00	-	-
Total	265.73	212.48	675.54	505.19

9 Short term borrowings (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
<u>Unsecured (Refer note 6.1)</u>		
Commercial paper	3,000.00	2,080.00
Loans repayable on demand from banks (overdraft)	0.24	-
Total	3,000.24	2,080.00

10 Trade payables (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Trade payables (Refer note 10.1)		
i) total outstanding dues to micro and small enterprises	-	-
ii) total outstanding dues of creditors other than micro and small enterprises	339.92	283.27
Total	339.92	283.27

10.1 Trade Payables includes ₹ Nil (Previous Year: ₹ Nil) payable to “Suppliers” registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to “Suppliers” registered under this act. The above is based on the information available with the Company which has been relied upon by the auditors.

11 Other current liabilities (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
(a) Current maturities of term loans from banks and non convertible debentures	10,120.14	4,746.83
(b) Other payables		
Overdrawn balances in current account with banks	1,150.91	713.84
Statutory liabilities	52.24	16.40
Interest accrued but not due on borrowings	924.52	601.22
Creditors for other expenses (Refer note 11.1)	16.13	14.00
Total	12,263.94	6,092.29

11.1 Creditors for other expenses includes ₹ Nil (Previous Year: ₹ Nil) payable to “Suppliers” registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to “Suppliers” registered under this act. The above is based on the information available with the Company which has been relied upon by the auditors.

Description	(Previous Year's figures are in italics)										Total	
	Office equipment	Furniture and fixtures	Leasehold improvements	Computers	Building	Motor cars	Total Tangibles (i)	Software and System development	Total Intangibles (ii)	Total		
Gross Block												
Gross Block as at 1st April, 2016	19.86	38.65	36.67	35.41	0.15	0.61	131.35	6.43	6.43	137.78		
Transfer Pursuant to implementation of Scheme of Amalgamation	6.86	20.20	0.69	6.49	-	0.34	34.58	-	-	34.58		
Additions from 1 April 2014 to 31 March 2016	0.43	2.43	0.00	0.25	-	0.08	3.19	-	-	3.19		
Additions during the period	11.90	15.38	15.84	25.07	0.00	0.25	68.44	5.61	5.61	74.05		
Disposals during the period	0.08	0.65	0.38	0.30	-	0.06	1.47	-	-	1.47		
Gross Block Balance as at 31st March 2017	38.97	76.01	52.82	66.91	0.15	1.22	236.09	12.04	12.04	248.13		
Gross Block as at 1st April 2017	38.97	76.01	52.82	66.91	0.15	1.22	236.09	12.04	12.04	248.13		
Additions during the period	5.75	5.95	7.50	22.55	0.00	3.98	45.72	5.92	5.92	51.64		
Disposals during the period	0.19	1.40	0.42	0.36	0.00	0.23	2.59	0.00	0.00	2.59		
Gross Block Balance as at 31st March 2018	44.53	80.56	59.90	89.10	0.15	4.97	279.22	17.96	17.96	297.18		
Accumulated Depreciation / Amortization												
Accumulated Depreciation / Amortization as at 1st April 2016	9.25	11.32	10.87	18.21	0.01	0.40	50.06	4.89	4.89	54.95		
Transfer Pursuant to implementation of Scheme of Amalgamation	2.40	11.83	0.38	4.94	-	0.16	19.71	-	-	19.71		
Charge from 1 April 2014 to 31 March 2016	2.66	1.06	0.15	0.95	-	0.05	4.87	-	-	4.87		
Depreciation charge for the period	6.35	9.70	5.62	14.72	0.00	0.26	36.65	1.97	1.97	38.62		
Disposals during the period	0.05	0.36	0.30	0.26	-	0.04	1.01	-	-	1.01		
Accumulated Depreciation / Amortization as at 31st March 2017	20.61	33.55	16.72	38.56	0.01	0.83	110.29	6.86	6.86	117.15		
Accumulated Depreciation / Amortization as at 1st April 2017	20.61	33.55	16.72	38.56	0.01	0.83	110.29	6.86	6.86	117.15		
Depreciation charge for the period	7.19	7.88	7.32	18.41	0.00	0.70	41.50	3.81	3.81	45.31		
Disposals during the period	0.18	1.23	0.33	0.33	0.00	0.23	2.29	0.00	0.00	2.29		
Accumulated Depreciation / Amortization as at 31st March 2018	27.62	40.20	23.71	56.64	0.01	1.30	149.50	10.66	10.66	160.16		
Net Block												
Net Block Balance as at 31st March 2017	18.36	42.46	36.10	28.35	0.14	0.39	125.80	5.18	5.18	130.98		
Net Block Balance as at 31st March 2018	16.91	40.36	36.19	32.46	0.14	3.67	129.72	7.30	7.30	137.02		
Capital work in progress												
Description										Total		
Capital work-in-progress Balance as at 31st March 2017										0.24		
Capital work-in-progress Balance as at 31st March 2018										-		

(Previous Year's figures are in italics)

13 Non current investment

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Non trade unquoted investment (valued at cost unless stated otherwise)		
Pass through certificates for securitisation of loan assets (A) (Face value ₹ 28.41 crores, Previous Year ₹ 62.76 crores)	28.41	62.76
Equity shares of Clayfin Technologies Private Limited (Erstwhile Vayana Private Limited) 687,614 shares of ₹ 10 each fully paid up (Previous Year 6,87,614 shares of ₹ 10 each fully paid up)	2.30	2.30
	30.71	65.06

Particulars	March 31, 2018		March 31, 2017	
	Cost	Market Value*	Cost	Market Value*
Aggregate value of quoted investments	30.71	-	65.06	-
Aggregate provision for diminution of quoted investments	1.35	-	1.00	-

* Investments being unquoted so market value of the same is not available

14 Deferred tax asset (net)

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
<u>Deferred Tax Asset</u>		
Depreciation and amortisation	9.19	4.88
Provision for Compensated Absences	6.71	6.01
Provision for Gratuity	1.62	-
Provision on standard asset	59.36	38.55
General provision	40.33	40.33
Provision on Non performing asset	65.60	48.33
Provision for other receivables	2.39	-
Provision for diminution of investment	0.47	0.35
Deferred tax assets	185.67	138.45
Movement in Net deferred tax asset during the year	47.22	17.36

15 Receivables under financing activity

(₹ in crore)

Particulars	Non Current		Current	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Secured (Refer note 15.1,15.2)	25,145.48	19,700.91	8,880.91	5,560.25
Unsecured	5,516.68	4,266.44	3,339.31	2,295.48
Doubtful	179.21	99.23	511.12	369.49
Total	30,841.37	24,066.58	12,731.34	8,225.22

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

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

(15.3) For Interest accrued but not due included in Receivables under financing activity Refer note 38.

16 Other Loans and advances

(₹ in crore)

Particulars	Non Current		Current	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
a. Capital advances	2.64	2.41	-	-
b. Security deposits (Unsecured, considered good)	23.21	23.46	-	-
c. Advances recoverable in cash or in kind (Unsecured, considered good)	-	-	38.88	14.14
d. Advance tax and tax deducted at source (Net of provision for tax ₹ 540.00 crores (Previous Year: ₹ 389.28 crores))	15.38	24.41	-	-
Total	41.23	50.28	38.88	14.14

17 Current Investments

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Non trade quoted investment	No of Units		Book Value	
Investments in Mutual Funds				
Reliance Liquid fund - Treasury Plan-Growth (NAV ₹3953.9770 p.u.)	-	202,388.30	-	80.00
ICICI Prudential Liquid Plan - Growth (NAV ₹240.1565 p.u.)	-	3,332,155.97	-	80.00
DSP Liquidity Fund-Institutional Plan-Growth (NAV ₹2318.1136 p.u.)	-	345,197.14	-	80.00
Kotak Floater - Short Term - Growth (NAV ₹ 2663.8050 p.u.)	-	300,405.97	-	80.00
Invesco Liquid fund - Growth Plan (NAV ₹ 2231.8269 p.u.)	-	358,450.74	-	80.00
Invesco Liquid fund - Growth Plan (NAV ₹ 2383.6833 p.u.)	336,022.86	-	80.00	-
Reliance Liquid fund-Treasury Plan-Growth (NAV ₹ 4223.0322 p.u.)	189,758.24	-	80.00	-
ICICI Prudential Money Market Fund-Growth (NAV ₹239.3833 p.u.)	3,344,702.54	-	80.00	-
Birla Floating Rate Short Term-Growth-Regular (NAV ₹ 231.0732 p.u.)	3,468,105.35	-	80.00	-
Kotak Floater - Short Term - Growth (NAV ₹ 2844.5776 p.u.)	281,633.68	-	80.00	-
	7,620,222.67	4,538,598.12	400.00	400.00

Particulars	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	Cost	Market Value	Cost	Market Value
Aggregate value of quoted investments	400.00	400.55	400.00	400.09

18 Trade receivables (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Trade receivable	117.16	115.42
Trade receivable (Unsecured, considered good)	9.28	-
Doubtful	126.44	115.42

18.1 Amount of ₹ 4.87 crores (Previous Year ₹ Nil) in trade receivable above six months.

19 Cash and bank balances (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Cash and Cash Equivalent		
Balances with banks	33.22	41.65
Demand drafts on hand	10.66	14.70
Cash on hand	17.73	13.67
	61.61	70.03
Other Bank balances		
Deposits with bank (Refer note 19.1, 19.2, 19.3)	75.42	118.67
	137.03	188.70

(19.1) Includes deposits of ₹ 75.42 crores (Previous Year ₹ 110.27 crores) is earmarked for assignment/securitisation transaction.

(19.2) Include deposits of ₹ 58.42 crores (Previous Year ₹ 118.67 crores) maturing in less than one year.

(19.3) Of the above balance, cash and cash equivalent after excluding deposits with bank of ₹ 75.42 crores (Previous Year ₹ 118.67 crores) amounts to ₹ 61.61 crores (Previous Year ₹ 70.03 crores).

20 Other current assets (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
a. Interest accrued but not due on fixed deposits	0.37	2.07
b. Unamortised discount on commercial paper	83.86	58.96
Total	84.23	61.03

21 Revenue from operations (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Interest income	5,146.05	4,087.08
Other financial charges / income	384.86	295.15
BPO services income	1,529.00	1,329.12
Total	7,059.91	5,711.35

22 Other income (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Gain on sale of current investment (net)	2.08	1.24
Interest on Non trade investment	-	1.95
Total	2.08	3.19

23 Employee benefits expense (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Salaries and wages (including bonus)	2,070.48	1,747.03
Contribution to provident and other funds	151.34	135.32
Staff welfare expenses	18.50	14.30
Total	2,240.32	1,896.65

24 Finance costs (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Interest expense	2,092.10	1,821.45
Discount on commercial paper	256.25	219.76
Other borrowing costs	8.77	8.71
Total	2,357.12	2,049.92

25 Other expenses (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Rent (net of sub lease rent received ₹ 0.29 crores) (previous year ₹ 0.07 crores)	59.83	53.54
Rates and taxes	0.55	0.49
Telephone	21.79	20.05
Power and fuel	23.29	20.19
Repairs and maintenance- premises	2.91	0.77
Repairs and maintenance-others	1.58	0.91
Credit report charges	51.89	52.20
Auditor's remuneration (Refer Note 28)	0.54	0.43
Insurance	0.81	0.47
Commission and brokerage	100.44	69.67
Loss on sale of asset	0.15	0.14
Expenses towards Corporate Social Responsibility Initiative (Refer Note 58)	11.44	4.09
Others administrative expenses	160.15	108.23
Total	435.37	331.17

26. Provisions and write offs (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Provisions recognised for non performing assets (Refer Note 44A)	75.27	75.73
Provisions for other receivables	6.92	-
Write offs (net of recovery ₹ 152.83 crores (previous year ₹ 75.28 crores))	376.66	224.81
Provision for diminution of investment	0.35	-
Contingent provision against standard assets	60.15	39.05
Total	519.35	339.59

27 Earning per share

Particulars	March 31, 2018	March 31, 2017
Net Profit (₹ in crore)	951.74	684.21
Weighted average number of equity shares		
Basic	781,201,590	710,006,413
Diluted	782,513,957	710,006,413
Earnings per share (₹)		
Basic	12.18	9.64
Diluted	12.16	9.64
Face value per share (₹)	10.00	10.00

28 Auditor's Remuneration

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
<u>As Auditor</u>		
Statutory audit	0.45	0.33
Tax audit	0.03	0.02
<u>Others</u>		
For certificates	0.02	0.05
Sub Total	0.50	0.40
Service Tax	-	0.03
GST	0.04	-
Total	0.54	0.43

29 Operating leases

i. Future Lease Rental payments

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Not later than one year	48.85	57.92
Later than one year, but less than three years	93.59	108.62
More than three years, but less than five years	79.77	91.77
More than five years	77.29	104.50

ii. Lease payments recognized in the Statement of Profit and Loss ₹ 59.83 crores (Previous year ₹ 53.54 crores).

iii. Future sub lease income receivable is ₹ 0.75 crores (Previous year ₹ 14.80 crores).

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.

30 Contingent liabilities

(₹ in crore)

S.N.	Particulars	March 31, 2018	March 31, 2017
1.	Claims against the Company not acknowledged as debt (Refer Note 30.1)	92.75	92.41
2.	Estimated amount of contracts remaining to be executed on capital account and not provided for: (Net of Advances amounting to ₹ 2.94 crores, previous year ₹ 2.41 crores)	3.44	11.42
3	Undrawn committed sanctions to borrowers	114.08	107.34
4	Corporate Guarantee towards securitization transactions	87.14	137.14

30.1 Claims against the Company not acknowledged as debt

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Suit filed by borrowers	2.56	1.43
Other contingent liabilities in respect of :		
1. Provident Fund matter - (see (a) below)	50.14	50.14
2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below)	34.88	34.88
3. Income tax matter	4.85	4.85
4. Service tax demands	-	0.79
5. Payment of Labour Welfare Fund	0.32	0.32
Total	92.75	92.41

a) Provident Fund matter

The Company has received a notice of demand from the Provident Fund department amounting to ₹ 50.14 crores. The Company had filed an appeal challenging the Provident Fund Commissioner's order before the Provident Fund Appellate Tribunal, wherein the Company had received a favorable outcome. However, a sum of ₹ 1 crore has been deposited under protest with the Provident Fund Appellate Authority. This amount is shown under Long Term Loans and Advances in Note 16.

The Provident Fund department has challenged order of the appellate authority in the High Court. The management of the Company is of the view that no material losses will arise in respect of the legal claim and accordingly the same has been disclosed as a contingent liability. In the eventuality of any claim arising out of this case, the same will be billed to the customer in the year the claim is final and accordingly no provision has been made.

b) Payment of Bonus (Amendment) Act, 2015

As per the amendment to the Payment of Bonus (Amendment) Act, 2015 vide notification number DL-(N)04/70007/2003-16 issued on 1 January 2016 by Government of India, the Company would be required to pay statutory bonus to all eligible employees as per the amendments specified thereunder, with effect from 1 April 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act, 2015 from financial year 2014-15. In light of the above, the Company has decided to disclose such bonus amounting to ₹ 34.88 crores as a contingent liability.

31 The Company's pending litigations comprise of claims against the Company by the customers and proceedings pending with other authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results. (Refer Note 30)

32 The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

33 Dividend Distributed to Equity Shareholders

The Board declared an interim dividend for the financial year 2017-18 of ₹0.90/- per equity share (9% of face value of share at ₹10/- each per equity share) vide Circular Resolution passed on 16 March 2018. The Board has recommended a final dividend of Rs 0.70 per equity share for financial year ended 31 March 2018 in the Board of Directors meeting held on 16 April 2018.

34 Related party disclosures

Name of the related party and nature of relationship

Holding Company: HDFC Bank Limited

Enterprise under common control of holding company: HDFC Securities Limited

Key Management Person: Mr. Ramesh G. (Managing Director and CEO)

Details of Related Party Transactions for the Year:

(₹ in crore)

Related party	Nature of relationship	Nature of transaction	March 31, 2018	March 31, 2017
HDFC Bank Limited	Holding company	Bank charges	5.93	2.19
		Charges for back office support services received / recoverable	643.07	563.67
		Charges for sales support services received / recoverable	992.57	786.11
		Commission on sourcing of credit cards received / recoverable	0.02	0.29
		Dividend paid	112.59	102.22
		Reimbursement of R & M charges Received / Receivable	0.73	1.24
		Fixed deposits placed	94.50	369.05
		Interest paid on term loan and OD account	104.83	139.21
		Interest received on fixed deposits	2.63	7.17
		Investment banking fees paid	1.21	0.61
		IPA charges	0.04	0.03
		Non convertible debentures issued	1,885.00	1,427.00
		Purchase of fixed assets	-	0.23
		Receipt of secondment charges	-	1.59
		Rent paid for premises taken on sub-lease	2.97	5.86
		Rent received / receivable for premises given on sub-lease	0.80	1.45
		Term loan availed during the year	1,000.00	200.00
		Term loan paid during the year	587.27	611.82
		Tele collection charges / field collection charges received / recoverable for collection services rendered	133.44	103.13
		HDFC Securities Limited	Entities under common control	Rent paid / payable
Rent received / receivable for premises given on sub-lease	0.12			0.07
Commission on sourcing of loans	0.01			-
Ramesh G.	Key Management Person	Salary and allowances	3.47	2.59
Balance as on March 31, 2018				
HDFC Bank Limited	Holding Company	Assignment transaction / Securitisation	115.18	575.88
		Balance in current accounts	42.82	49.65
		Balance receivable	85.39	105.75
		Fixed deposit	58.42	68.67
		Security deposit paid	0.20	0.20
		Security deposit received	9.85	9.85
		Term loan outstanding	1,590.90	1,180.15
HDFC Securities Limited	Entities under common control	Balance receivable	0.14	0.14

35 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee benefits**A) Defined contribution plan**

The contribution made to various statutory funds is recognized as expense and included in Note 23 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss. The detail is as follows.

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Provident Fund	81.79	72.01
Employee State Insurance Corporation (ESIC)	50.74	41.75

B) Defined benefit plan (gratuity)

The Company contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Standard Life Insurance Company ("HDFC Life") Limited. HDFC Life & LIC has certified the Fair Value of the Plan Assets.

Details of Actuarial Valuation as at March 31, 2018 :

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Benefit Obligation as at beginning of the year	52.96	6.65
Current Service Cost	12.04	11.27
Past service cost	-	-
Interest Cost	3.49	2.38
Actuarial Losses / (Gains)	3.22	5.73
Addition due to amalgamation	-	33.48
Benefits Paid	(8.35)	(6.54)
Benefit Obligation as at end of the year	63.37	52.96
Fair Value of Plan Assets as at beginning of the year	30.01	4.41
Expected Returns on Plan Assets	2.50	2.07
Employer's Contribution	8.01	10.46
Transfer In	3.49	-
Addition due to amalgamation	-	20.76
Benefits Paid	(8.35)	(6.54)
Actuarial Gains / (Losses)	(2.48)	(1.15)
Fair Value of Plan Assets as at end of the year	33.18	30.01
Balance Sheet recognition		
Present value of obligation	63.37	52.96
Fair value of planned asset	(33.18)	(30.01)
Liability / (Asset)	30.19	22.95
Unrecognised past service cost	-	-
Liability / (Asset) to be recognized in the Balance Sheet	30.19	22.95
Profit and loss (expenses)		
Current Service Cost	12.04	11.27
Past Service cost	-	-
Interest on Obligation	3.49	2.38
Expected Return on Plan Assets	(2.50)	(2.07)
Net Actuarial Losses / (Gains) Recognised in the Year	5.70	6.88
Expenses to be recognised in the Statement of Profit and Loss	18.74	18.46
Actual return on planned assets		
Expected return on planned assets	2.50	2.07
Actuarial Gain / (Loss) Plan Assets	(2.48)	(1.15)
Actual Return On Plan Assets	0.02	0.92

Particulars	March 31, 2018	March 31, 2017
Movement in the net liability recognised in the balance sheet		
Opening net Liability	22.95	2.23
Expenses	18.74	18.46
Contribution	(8.01)	(10.46)
Adjustment to opening balance and transfer	(3.49)	-
Addition due to amalgamation	-	12.71
Closing Net Liability	30.19	22.95
Assumptions		
Discount Rate	7.16% p.a.	6.42% - 6.54% p.a.
Future Salary Increase (%)		
General Staff	5% - 7% p.a.	5% - 7.5% p.a.
Others	5% - 7% p.a.	5% - 7.5% p.a.
Expected Rate of return on Plan Assets	7.50% p.a.	7.50% p.a.

(₹ in crore)

Actuarial (gain) / loss on Obligation	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Experience Adjustment	3.67	4.13	0.23	0.15	0.35
Assumption Change	(0.45)	1.60	0.08	0.17	(0.08)
Total	3.22	5.73	0.31	0.32	0.27
Actuarial (Gain) / Loss on Plan Assets					
Experience Adjustment	(2.48)	(1.29)	0.11	(0.16)	0.01
Assumption Change	-	0.14	-	-	-
Total	(2.48)	(1.15)	0.11	(0.16)	0.01
Estimated contribution next year	24.86	17.28	2.67	3.32	1.20

Category of Plan asset	% of Fair value to total planned assets (as at March 31, 2018)
Government securities and corporate bonds	93.06%
Money market instruments and public deposits	4.11%
Net current assets and other debt instruments	2.83%
Total	100.00%

36 Accounting for employee share based payments

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOS-5 on July 27, 2011, ESOS-6 on June 11, 2012, ESOS-7 on July 19, 2013, ESOP-8 on July 14, 2015, ESOS-9 on October 18, 2016 and ESOP-10 on October 13, 2017. 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.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/ approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of two years from the date of vesting for ESOP-5, ESOP-6, ESOP-7 and ESOP-8 and maximum of four years from the date of vesting for ESOP-9 and ESOP-10.

Method used for accounting for shared based payment plan.

The Company uses intrinsic value to account for the compensation cost of stock options to employees of the Company.

Movement in the options outstanding under the Employees Stock Option Plan as at 31 March 2018

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	5,878,660	112.46
Granted during the year	3,340,250	213.00
Exercised during the year	2,691,960	106.74
Forfeited / lapsed during the year	257,000	114.01
Options outstanding, end of year	6,269,950	168.41

Movement in the options outstanding under the Employees Stock Options Plan as at 31 March 2017

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	4,842,950	88.41
Granted during the year	3,117,500	137.00
Exercised during the year	1,579,440	77.86
Forfeited / lapsed during the year	502,350	93.46
Options outstanding, end of year	5,878,660	112.46

Following summarizes the information about stock options outstanding as at 31 March 2018

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average exercise Price (₹)
ESOS – 8	88.00	1,115,000	2.47	88.00
ESOS – 9	137.00	1,844,200	5.02	137.00
ESOS – 10	213.00	3,310,750	5.69	213.00

Following summarizes the information about stock options outstanding as at 31 March 2017

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average exercise Price (₹)
ESOS – 6	31.00	1,200	0.50	31.00
ESOS – 7	56.00	102,700	0.50	56.00
ESOS – 8	88.00	2,771,260	2.74	88.00
ESOS – 9	137.00	3,003,500	5.49	137.00

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended 31 March 2018 are:

Particulars	March 31, 2018	March 31, 2017
Dividend yield	0.70%	0.88%
Expected volatility	Nil	Nil
Risk - free interest rate	6.44%	6.54%
Expected life of the option	3.05 years	3 years

Impact of fair value method on net profit and EPS

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

Particulars	March 31, 2018	March 31, 2017
Net Profit (as reported)	951.74	684.21
Stock based compensation expense determined under fair value based method: (pro forma)	12.03	8.36
Net Profit (pro forma)	939.71	675.85
Basic earnings per share (as reported)	12.18	9.64
Basic earnings per share (pro forma)	12.03	9.52
Diluted earnings per share (as reported)	12.16	9.64
Diluted earnings per share (pro forma)	12.01	9.52

37 Segment reporting

Summary of segments of the Company is given below:

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
i. Segment Revenue		
Lending business	5,532.80	4,378.89
BPO Services	1,529.19	1,334.41
Unallocated	-	1.24
Total	7,061.99	5,714.54
Less: Inter Segment Revenue	-	-
Income from Operations	7,061.99	5,714.54
ii. Segment results		
Lending business	1,440.87	1,064.83
BPO Services	69.00	17.73
Unallocated	(45.35)	(23.97)
Total profit before tax	1,464.52	1,058.59
Income Tax expenses		
Current tax	(560.00)	(389.28)
Deferred tax Asset	47.22	17.36
Income tax for earlier year	-	(2.46)
Net Profit	951.74	684.21
iii. Capital employed		
Segment assets		
Lending business	44,430.26	33,142.30
BPO Services	117.16	147.59
Unallocated	206.50	166.20
Total Assets	44,753.92	33,456.09
Segment liabilities		
Lending business	38,201.49	27,803.65
BPO Services	199.70	114.05
Unallocated	150.50	175.49
Total Liabilities	38,551.69	28,093.19
Net segment assets / (liabilities)	6,202.23	5,362.90
iv. Capital Expenditure (including net CWIP)		
Lending business	40.43	62.35
BPO Services	10.74	11.16
Unallocated	0.47	0.54
Total	51.64	74.05

Particulars		March 31, 2018	March 31, 2017
v.	Depreciation		
	Lending business	34.25	27.80
	BPO Services	10.36	10.67
	Unallocated	0.70	0.15
	Total	45.31	38.62
vi	Other non cash expenditure		
	Lending business	519.00	339.59
	BPO Services	-	-
	Unallocated	0.35	-
	Total	519.35	339.59

A Primary Segment**a) Business Segment**

Segment identified by the Company comprises as under:

- i. Lending business
- ii. BPO services

b) Segment Revenue and 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 'Unallocated'.

c) Segment Assets and Liabilities

Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

d) Inter Segment Transfers

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

e) Accounting Policies

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

38 Interest accrued but not due included in Receivables under financing activity is ₹ 429.24 crores (Previous year ₹ 326.63 crores)

39 Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of profit and loss (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Provisions recognised for non performing assets	75.27	75.73
Provision made towards Income tax	560.00	389.28
Provision for diminution of investment	0.35	0.00
Provisions for other receivables	6.92	0.00
Provision for Standard Assets	60.15	39.05

40 A Disclosure relating to securitisation pursuant to Reserve Bank of India notification DNBS. PD. No. 301/3.10.01/2012-13 dated August 21, 2012 and DNBR (PD) CC. No.029/03.10.001/ 2014-15 dated April 10, 2015 (₹ in crore)

Sr. No	Particulars	March 31, 2018	March 31, 2017
1	No of SPVs sponsored by the NBFC for securitisation transactions	4.00	6.00
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	895.84	1,985.14
3	Total amount of exposures retained by the NBFC to comply with MRR		
	a) Off-balance sheet exposures		
	* First loss	87.14	137.14
	* Others		
	b) On-balance sheet exposures		
	* First loss	103.83	173.02
	* Others	-	-
	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures	-	-
4	i) Exposure to own securitisations		
	* First loss	-	-
	* loss	-	-
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	-	-
	* Others	-	-
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-

40 B Disclosure relating to securitisation pursuant to Reserve Bank of India notification DBOD. No.BP. 1502/21.04.048/2004-05 dated February 1, 2006 (₹ in crore)

Sr. No	Particulars	March 31, 2018	March 31, 2017
i)	Total number of contracts for loan assets securitised during the year	Nil	17,697
ii)	Book value of Loan assets securitised during the year	Nil	1,441.40
iii)	Sale consideration received for securitised assets during the year	Nil	1,441.40
iv)	Gain/ Loss (if any) on sale on securitised loan assets	Nil	Nil
v)	Quantum (Outstanding value) of service provided: Credit Enhancement (FD & CG)	Nil	101.03

40 C Disclosure of financial assets sold to securitisation company pursuant to Reserve Bank of India notification DNBR (PD) CC. No.029/03.10.001/2014-15 dated 10 April 2015 (₹ in crore)

a) Details of Financial assets sold to securitization / Reconstruction Company for Asset Reconstruction

Sr. No	Particulars	March 31, 2018	March 31, 2017
i)	Number of Accounts	Nil	Nil
ii)	Aggregate value (net of provisions) of account sold to SC/RC	Nil	Nil
iii)	Aggregate consideration	Nil	Nil
iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v)	Aggregate gain / loss over net book value	Nil	Nil

b) Details of Assignment Transactions

Sr. No	Particulars	March 31, 2018	March 31, 2017
i)	Number of Accounts	Nil	Nil
ii)	Aggregate value (net of provisions) of account sold	Nil	Nil
iii)	Aggregate consideration	Nil	Nil
iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v)	Aggregate gain / loss over net book value	Nil	Nil

41 Total fixed deposits stands at ₹ 75.42 crores (previous year ₹ 110.27 crores) on account of securitisation transaction outstanding till 31st March 2018.

42 Loan against gold portfolio to Total assets is 1.04 % (Previous year 1.00%).

43 Disclosure pursuant to Reserve Bank of India notification DNBS.CC.PD.No.356 /03.10.01/2013-14 dated 16 September 2013 pertaining to gold loans

Details of Gold auctions conducted* (₹ in crore)

Particulars	March 31, 2018	March 31, 2017
No of loan accounts	1,578	776
Outstanding loan amount	7.72	3.36
Sale Consideration of gold **	12.67	6.28

* there is no sister concern participation in any of the above auctions.

** the excess of sales consideration over and above the outstanding amount is repaid to respective borrower.

Additional Disclosure pursuant to Reserve Bank of India notification DNBR (PD) CC. No.029/03.10.001/2014-15 dated 10 April 2015

44 A Movement of Non-Performing Assets (NPA's) (₹ in crore)

	Particulars	March 31, 2018	March 31, 2017
(i)	Net NPAs to Net Advances (%)	0.98%	0.85%
(ii)	Movement of Gross NPAs		
	a) Opening balance	468.72	299.69
	b) Additions during the year	1,737.77	852.18
	c) Reductions during the year	1,516.16	683.15
	d) Closing balance	690.33	468.72

	Particulars	March 31, 2018	March 31, 2017
(iii)	Movement of Net NPAs		
	a) Opening balance	269.86	176.55
	b) Additions during the year	1,030.94	434.76
	c) Reductions during the year	884.59	341.45
	d) Closing balance	416.20	269.86
(iv)	Movement of provisions for NPA's (excluding provision on standard assets)		
	a) Opening balance	198.87	123.15
	b) Provisions made during the year	706.83	417.42
	c) Write-off / write-back of excess provisions	631.56	341.70
	d) Closing balance	274.14	198.87

44 B Movement of Contingent and General Provision

(₹ in crore)

	Particulars	March 31, 2018	March 31, 2017
(i)	Movement of Contingent provision against standard assets		
	a) Opening balance	111.38	72.33
	b) Additions during the year	60.15	39.05
	c) Reductions during the year	-	-
	d) Closing balance	171.53	111.38
(ii)	Movement of General provisions		
	a) Opening balance	116.54	116.54
	b) Additions during the year	-	-
	c) Reductions during the year	-	-
	d) Closing balance	116.54	116.54

45 Concentration of Advances, Exposures & NPA's**a) Concentration of Advances**

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Total Advances to Twenty Largest Borrowers	382.86	237.10
Percentage of advances to twenty largest borrowers to Total Advances	0.88%	0.75%

b) Concentration of Exposures

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Total Exposure to Twenty Largest Borrowers	382.86	237.10
Percentage of exposures to twenty largest borrowers to Total Exposures	0.88%	0.75%

c) Concentration of NPA's

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Total Exposure of Top four NPA Accounts	25.30	29.06

d) Sector-wise distribution of NPA's

Sr. No.	Sector	Percentage of NPA's to Total Advances in that sector	
		March 31, 2018	March 31, 2017
1	Agriculture & allied activities	1.55%	2.09%
2	MSME	0.00%	0.00%
3	Corporate borrowers	1.98%	1.89%
4	Services	1.54%	0.17%
5	Unsecured personal loans	0.08%	0.48%
6	Auto loans	0.00%	0.00%
7	Other personal loans	0.00%	0.00%
8	Others	1.61%	1.59%

46 Details of non-performing financial assets purchases / sold

The Company has neither purchased nor sold any non-performing financial assets during the previous year.

47 Customer Complaints

	Particulars	March 31, 2018	March 31, 2017
a)	No. of Complaints Pending at the beginning of the year	1	5
b)	No. of Complaints received during the year	184	158
c)	No. of Complaints redressed during the year	183	162
d)	No. of Complaints Pending at the end of the year	2	1

Note :- The above figure are based on complaints received from customer for identified service deficiency

48 Investments

(₹ in crore)

	Particulars	March 31, 2018	March 31, 2017
1	Value of Investments		
i)	Gross value of Investments		
a)	In India	430.71	465.06
b)	Outside India	-	-
ii)	Provision for Depreciation		
a)	In India	1.35	1.00
b)	Outside India	-	-
iii)	Net Value of Investments		
a)	In India	429.36	464.06
b)	Outside India	-	-
2	Movement of provisions held towards depreciation on investments		
i)	Opening Balance	1.00	1.00
ii)	Add : Provisions made during the year	0.35	-
iii)	Less : Write-off / write-back of excess provisions during the year	-	-
iv)	Closing Balance	1.35	1.00

49 Exposure to Capital Market

(₹ in crore)

Sr. No.	Particulars	March 31, 2018	March 31, 2017
i)	Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity- oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	2.30	2.30
ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds;	235.42	9.80
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	366.10	174.62
iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds' does not fully cover the advances;	-	-
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii)	Bridge loans to companies against expected equity flows / issues;	-	-
viii)	All exposures to Venture capital funds (both registered and unregistered).	-	-
	Total Exposure to Capital Market	603.82	186.72

50 Capital Adequacy Ratio

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

Particulars	March 31, 2018	March 31, 2017
CRAR%	17.94%	20.79%
CRAR - Tier I Capital %	13.22%	15.26%
CRAR - Tier II Capital %	4.72%	5.53%
Amount of Subordinated Debt raised as Tier-II capital	2,000	1,720
Amount Raised by the issue of Perpetual Debt Instruments	Nil	Nil

51 Exposure to Real Estate Sector

(₹ in crore)

Categories	March 31, 2018	March 31, 2017
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;	12,744.77	12,110.80
ii. Commercial Real Estate - (Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)	5,621.14	4,184.08
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).	-	-

52 Maturity pattern of certain items of assets and liabilities

(₹ in crore)

Particulars	Deposits	Advances(**)	Investments(*)	Borrowings	Foreign Currency Assets / Foreign Currency Liabilities
1 day to 30/31 days	-	1,184.88	401.81	221.59	-
	(14.01)	(604.10)	(402.90)	(420.38)	-
Over one month to 2 months	-	1,076.98	1.77	1,307.41	-
	-	(646.51)	(2.87)	(386.52)	-
Over 2 months upto 3 months	-	1,043.77	1.72	1,215.45	-
	(20.64)	(652.78)	(2.84)	(751.89)	-
Over 3 months to 6 months	-	3,042.99	4.85	3,283.09	-
	(6.00)	(1,970.30)	(8.23)	(2,008.46)	-
Over 6 months to 1 year	58.42	5,871.60	8.18	7,092.60	-
	(78.02)	(3,982.04)	(14.76)	(3,259.58)	-
Over 1 year to 3 years	17.00	17,262.45	10.07	16,679.18	-
	-	(12,336.64)	(29.98)	(17,006.89)	-
Over 3 years to 5 years	-	6,558.87	0.01	3,781.39	-
	-	(5,370.47)	(1.18)	(33.33)	-
Over 5 years	-	7,531.17	2.30	1,400.00	-
	-	(6,728.97)	(2.30)	(1,720.00)	-
Total	75.42	43,572.71	430.71	34,980.71	-
	(118.67)	(32,291.81)	(465.06)	(25,587.05)	-

* Long-Term Investment in Clayfin Technologies Private Limited (Erstwhile Vayana Private Limited) are shown at book value in “over 5 year”

** The figure includes ₹ 690.33 crores of doubtful assets in “over 5 year”

Sl No	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total																																						
		Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss																																			
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	-	-	-	-																												
		Amount outstanding	-	-	-	-	-	0.52	-	-	-	0.52	-	-	-	0.52	-	-	-	0.52	0.52	-	-	-	-	0.52	-	-																								
		Provision thereon	-	-	-	-	-	-	-	-	-	0.04	-	-	-	0.04	-	-	-	0.04	0.04	-	-	-	-	-	-	0.04	-																							
		Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	2	-	-																							
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	2	-	-	-																							
		Amount outstanding	-	-	-	-	-	-	-	-	-	0.03	-	-	-	0.03	-	-	-	0.03	0.03	-	-	-	-	0.03	-	-	-	0.03																						
		Provision thereon	-	-	-	-	-	-	-	-	-	0.00	-	-	-	0.00	-	-	-	0.00	0.00	-	-	-	-	0.00	-	-	-	0.00																						
		Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	2	-	-	-																						
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-									
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructures standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	Downgradations of restructures accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
7	Restructured Accounts as on March 31 of the FY (closing figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)

54 Details of dues to Micro, Small and Medium Enterprises

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

Particulars	March 31, 2018	March 31, 2017
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 - The above is based on the information available with the Company which has been relied upon by the auditors.

55 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	March 31, 2018		March 31, 2017	
	CARE	CRISIL	CARE	CRISIL
Bank facilities	AAA	AAA/Stable	AAA	AAA/Stable
Short term debt program	A1+	A1+	A1+	A1+
Non-convertible debentures	AAA	AAA/Stable	AAA	AAA/Stable
Subordinated bond issue	AAA	AAA/Stable	AAA	AAA/Stable

56 Summary of total borrowings, receivables and provisions

Total borrowings

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Term-wise breakup		
Long term borrowings	21,860.59	18,760.22
Short term borrowings	3,000.24	2,080.00
Current maturities of long term borrowings	10,120.14	4,746.83
Total borrowings	34,980.97	25,587.05
Category-wise breakup		
Secured		
Term loans from bank	12,482.93	8,583.25
Non Convertible Debentures	17,497.80	13,203.80
Overdraft	0.24	-
Unsecured		
Subordinate debts	2,000.00	1,720.00
Commercial papers	3,000.00	2,080.00
	34,980.97	25,587.05

Total receivable under financing activity

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Term-wise Breakup		
Long term receivables	30,841.37	23,967.36
Current maturities of loan term receivables	12,731.34	8,324.45
Total receivables	43,572.71	32,291.81
Less: Substandard and Doubtful assets	690.33	468.72
Net loan book	42,882.38	31,823.09
Category-wise Breakup		
Secured	34,026.40	25,698.15
Unsecured	9,546.31	6,593.66
Total receivables	43,572.71	32,291.81
Less: Substandard and Doubtful assets	690.33	468.72
Net loan book	42,882.38	31,823.09

Total asset provisions

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
Category-wise Breakup		
Provision for doubtful debts	274.14	198.87
Contingent provision against standard assets	171.53	111.38
General provisions	116.54	116.54
Provisions for other receivables	6.92	-
Provision for diminution in the value of investments	1.35	1.00
	570.48	427.79

57 Schedule to the Balance Sheet of a non deposit taking Non-Banking Financial Company (as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

(₹ in crore)

S.N.	Particulars	March 31, 2018	March 31, 2017
	Liabilities side:		
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	18,471.28	13,874.86
	- Unsecured	2,074.64	1,791.50
	(other than falling within the meaning of public deposits)		
	(b) Deferred Credits		-
	(c) Term Loans	12,482.93	8,583.25
	(d) Inter-Corporate Loans and Borrowings		-
	(e) Other Loans	3,000.00	2,080.00
	(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	20,700.13	17,981.35
	(b) Unsecured	8,958.27	6,593.66
3	Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities:		
	(i) Lease Assets including Lease Rentals Accrued and Due:		
	a) Financial Lease	-	-
	b) Operating Lease	-	-
	(ii) Stock on Hire including Hire Charges under Sundry Debtors:		
	a) Assets on Hire	-	-
	b) Repossessed Assets	-	-
	(iii) Other Loans counting towards AFC Activities		
	a) Loans where Assets have been Repossessed	32.14	25.64
	b) Loans other than (a) above	13,882.18	7,691.16
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	400.00	400.00
	iv. Government Securities	-	-
	v. Others (please specify)	-	-

(₹ in crore)

S.N.	Particulars	March 31, 2018	March 31, 2017
	II. Unquoted:		
	i. Shares		
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
	Long Term Investments:		
	I. Quoted:		
	i. Shares		
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares		
	a) Equity	0.95	1.30
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (Pass through certificates)	28.41	62.76
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	43,572.71	32,291.81
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	429.36	464.06
7	Other Information		
	(i) Gross Non-Performing Assets		
	a. Related party	-	-
	b. Other than related party	690.33	468.72
	(ii) Net Non-Performing Assets		
	(a) Related party	-	-
	(b) Other than related party	416.19	269.85
	(iii) Assets Acquired in Satisfaction of Debt	-	-

- 58** The average profit before tax of the Company for the last three financial years was ₹ 809.59 crores, basis which the Company was required to spend ₹ 16.19 crores towards Corporate Social Responsibility (CSR) activities for the current financial year. The Company has spent ₹ 11.55 crores towards CSR and ₹ 4.64 crores remains unspent for the current financial year. (Refer Note 25).

Particulars	March 31, 2018			March 31, 2017		
	Amount Spent	Amount Unpaid/ provision	Total	Amount Spent	Amount Unpaid/ provision	Total
(i) Construction / acquisition of any asset	-	-	-	-	-	-
(ii) On purpose other than (i) above	11.55 *	-	11.55	4.09	-	4.09

* including administrative charges for CSR activities amounting to ₹ 0.11 Crores.

59 Derivatives

The Company has not entered into any derivatives contracts during the year.

60 Registration under Other Regulators

The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory & Development Authority of India (IRDAI).

61 Penalties imposed by RBI and Other Regulators

No penalties have been imposed by RBI and Other Regulators during current year (Previous year - NIL).

62 Disclosure on frauds pursuant to RBI Master direction

The frauds detected and reported for the year amounted to ₹ 1.89 crore (Previous year ₹ 0.1 crore).

63 Details of Financing of Parent Company Products

There is no financing during the current year.

64 Details of Single Borrower Limits (SBL)/ Group Borrower Limits (GBL) exceeded

The Company has not exceeded the single borrower limits / group borrower limits as set as Reserve Bank of India.

65 Advances against Intangible Securities

The Company has not given any loans against intangible securities.

66 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

There are no overseas asset owned by the Company.

67 Draw Down from Reserves

The Company has made no drawdown from existing reserves.

68 Off-balance Sheet SPVs sponsored

There are no SPVs which are required to be consolidated as per accounting norms.

69 Disclosure under clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of a first and pari passu mortgage in favour of the Security Trustee on the Company's Office no 319, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and further secured by way of hypothecation of receivables under financing activity with a minimum requirement of asset cover of 1.1 times.

70 Disclosure under clause 28 of the Listing Agreement for Debt Securities

(₹ in crore)

Particulars	March 31, 2018	March 31, 2017
a) Loans and advances in the nature of loans to subsidiaries	-	-
b) Loans and advances in the nature of loans to associates	-	-
c) Loans and advances in the nature of loans where there is -	-	-
(i) no repayment schedule or repayment beyond seven years	-	-
(ii) no interest or interest below section 186 of Companies Act, 2013.	-	-
d) Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-

71 The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8th November 2016 to 30th December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018.

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

As per our report of even date attached

**For and on behalf of the Board of Directors of
HDB Financial Services Limited**For **B S R & Co. LLP**

Chartered Accountants

Firms' Registration No: 101248W/W-100022

Sd/-

Aditya Puri

Chairman

Sd/-

Jimmy Tata

Director

Sd/-

Venkatraman Srinivasan

Director

Sd/-

Manoj Kumar Vijai

Partner

Membership No. 046882

Sd/-

Smita Affinwalla

Director

Sd/-

G Ramesh

Managing Director

Sd/-

Bhavesh Zaveri

Director

Mumbai

April 16, 2018

Sd/-

Dipti Khandelwal

Company Secretary

Sd/-

Haren Parekh

Chief Financial Officer

OUR BRANCH NETWORK





HDB Financial Services Limited

CIN: U65993GJ2007PLC051028

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

FORM NO. MGT - 11 PROXY FORM

[Form No. MGT-11 Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member	
Registered Address	
Email ID	
Folio No./ Client ID	
DP ID	

I/We, being the member (s) of _____ shares of the above named company, hereby appoint

1. Name: _____, Email ID: _____

Address: _____

Signature: _____, or failing him

2. Name: _____, Email ID: _____

Address: _____

Signature: _____, or failing him

3. Name: _____, Email ID: _____

Address: _____

Signature: _____, or failing him

as my / our proxy, to attend and vote (on poll) for me / us and on my / our behalf at the 11th Annual General Meeting of the Company, to be held on the 22nd day of June 2018 at 12.00 Noon at HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad, Gujarat - 380 009, India and at any adjournment thereof in respect of such resolutions as are indicated below:

- To receive, consider and adopt the Audited financial statements of the Company for the year ended March 31, 2018, including the Audited Balance Sheet as at March 31, 2018, the Statement of Profit and Loss for the year ended on that date and the Cash Flow Statement for the year ended on that date together with the Reports of the Directors and Auditors thereon;
- To confirm the payment of Interim Dividend for the financial year 2017-18 and to declare final dividend on equity shares for the financial year ended on March 31, 2018;
- To appoint a Director in place of Mr. Bhavesh Zaveri (DIN: 01550468), who retires by rotation and being eligible, offers himself for re-appointment;
- To re-appoint the Statutory Auditors and fix their remuneration;
- To approve increase in borrowing limit from ₹ 50,000 Crore to ₹ 60,000 Crore;
- To approve increase in limits for creation of charge on the assets upto an amount of ₹ 60,000 Crore to secure its Borrowings;
- To approve selling, assignment of receivables / book debts upto ₹ 5,000 Crore;
- Authority to issue Secured Redeemable Non-Convertible Debentures;
 - For renewal of existing limit of ₹ 4,383 Crores;
 - For approval of new limit of ₹ 10,000 Crores;
- Authority to issue Unsecured Redeemable Non-Convertible Subordinated Bonds;
- Authority to issue Unsecured Redeemable Perpetual Debt Instruments;
- To approve securitisation transaction with HDFC Bank Limited;
- Authority to issue Rupee Denominated Bonds;
- To approve shifting of Registers and Records from Registered Office to the Corporate Office;

Signed this _____ day of _____, 2018

Signature of Shareholder _____

Signature of Proxy holder(s) _____

Notes:

- The Proxy Form must be deposited at the Registered Office of the Company at Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad 380 009 at least 48 hours before the time for holding the meeting. The proxy need not be a member of the Company.
- All alterations made in the Proxy Form should be initialed.
- In case of multiple proxies, proxy later in time shall be valid and accepted.



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HDB Financial Services Limited

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

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

I hereby record my presence at the 11th Annual General Meeting of the Company, convened on Friday, the 22nd day of June, 2018, at 12:00 Noon at HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad, Gujarat - 380 009.

Reg. Folio No : _____ DP ID No. : _____

Client ID No : _____ No. of Shares : _____

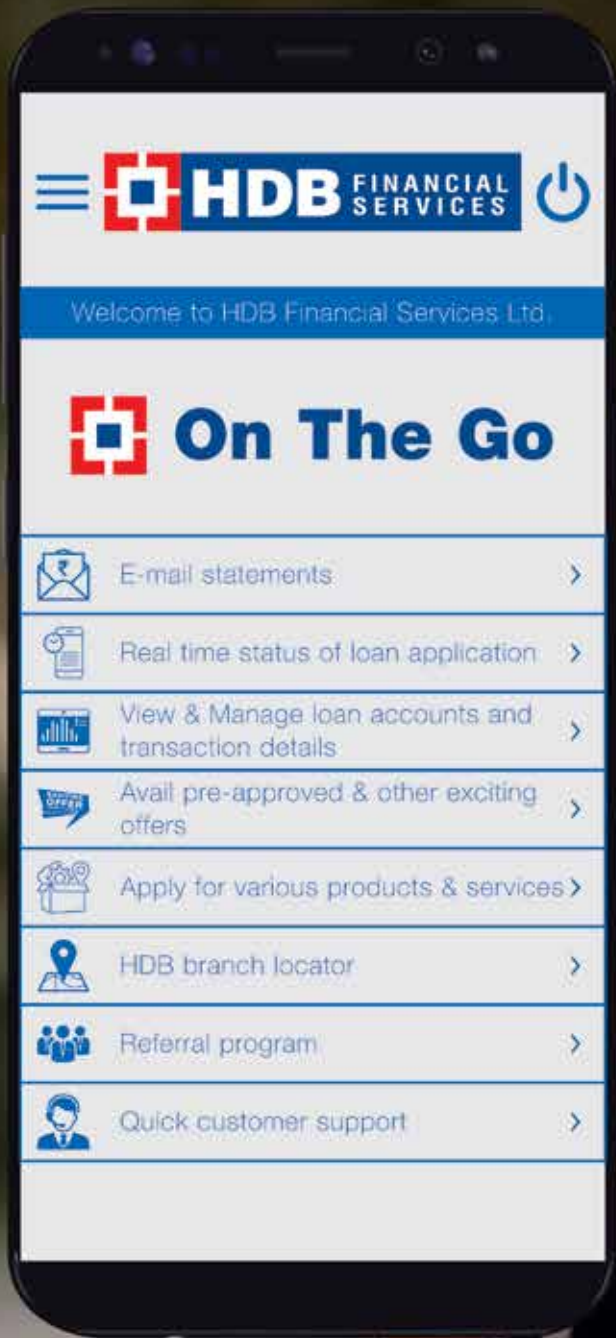
Name and Address of Equity Shareholder (IN BLOCK LETTERS):

Name and Address of the Proxy (IN BLOCK LETTERS, to be filled in by the proxy attending instead of the Equity Shareholder):

Signature of the Equity Shareholder / Proxy

NOTE: Equity Shareholders attending the meeting in person or through Proxy are requested to complete the Attendance Slip and hand it over at the entrance of the meeting hall.

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New to HDB?

- Apply for various products & services of HDB
- Track real time status of your loan application
- Locate your nearest HDB branch

Existing Customer

- View & manage your loan accounts and transaction details
- Apply for various products & services of HDB
- Avail Pre-approved offers
- Customer Support at your fingertips
- Refer your friends



