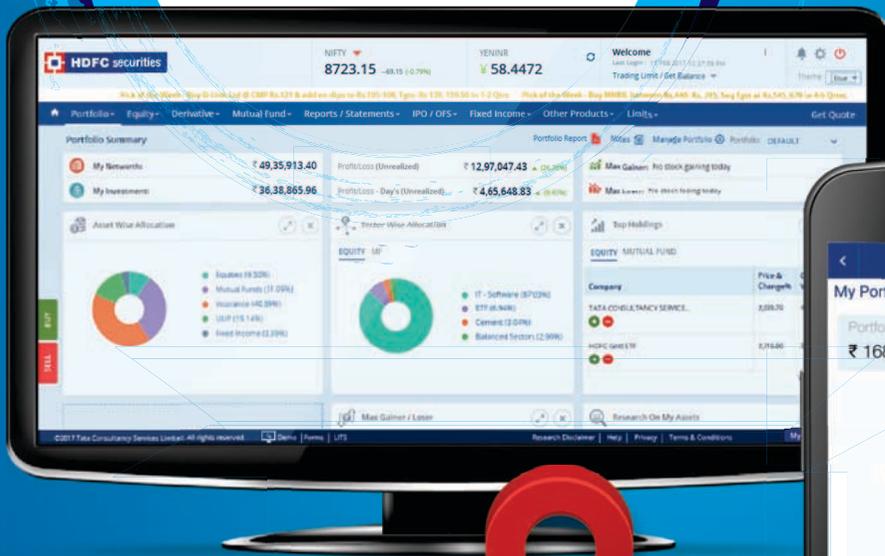


Investments SIMPLIFIED



Board of Directors

Mr. Abhay Aima
Mr. Aseem Dhru
Dr. (Mrs.) Amla Samanta
Mr. Ashish Rathi, Whole Time Director
Mr. Bharat Shah, Chairman
Mr. Dhiraj Relli, Managing Director
Mr. Jagdish Capoor
Mr. S. S. Thakur

Auditors

Deloitte Haskins & Sells LLP
Chartered Accountants

Bankers

HDFC Bank Limited
IndusInd Bank Limited
IDBI Bank Limited
Punjab National Bank
Corporation Bank

Company Secretary

Mr. N. E. Venkitakrishnan

Registered Office

Office Floor 8, I think Techno Campus,
Building B - Alpha,
Kanjurmarg (East),
Mumbai 400 042
Tel No. : 022-30753400
Fax No.: 022-30753435
Website : www.hdfcsec.com
Corporate Identity Number
(CIN) - U67120MH2000PLC152193

Registrar & Share Transfer Agents

Datamatics Financial Services Limited,
Plot No B-5,
Part B Crosslane,
MIDC, Marol,
Andheri (East),
Mumbai - 400 093
Tel. No.: 66712213/2214
Fax No.: 66712011

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the 17th Annual Report on the business and operations of the Company together with audited accounts for the year ended 31 March 2017.

FINANCIAL RESULTS

(Rs. in Crores)

| | Year ended | Year ended |
|--|------------------|------------------|
| | <u>31-3-2017</u> | <u>31-3-2016</u> |
| Total Income | 553.20 | 401.60 |
| Total Expenses | 209.31 | 187.41 |
| Profit before depreciation | 343.89 | 214.19 |
| Depreciation and Amortisation | 14.44 | 12.30 |
| Profit before tax | 329.45 | 201.89 |
| Provision for Tax | 113.55 | 68.55 |
| Profit after tax | 215.90 | 133.34 |
| Balance brought forward | 592.37 | 496.30 |
| Amount available for appropriation | 808.27 | 629.64 |
| Interim dividend | 61.93 | 30.97 |
| Tax including surcharge and education cess on dividend | 12.60 | 6.30 |
| Balance carried over to Balance Sheet | 733.74 | 592.37 |

OPERATIONS

During the year under review, the Company's total income amounted to Rs. 553.20 crore as against Rs. 401.60 crore in the previous year, an increase of 37.75%. The operations have resulted in a net profit after tax of Rs. 215.90 crore as against Rs. 133.34 crore in the previous year. The Company has emerged as a strong player in the financial services space offering complete financial services along with the core broking product. The Company continued strengthening its distribution network and by the end of the year had 273 branches across 190 cities in the

country.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic outlook

Output:

Industrial production slipped in February 2017 to a 4-month low, contracting 1.2% year-on-year (Y-o-Y), mainly on account of a decline in the manufacturing sector and lower off take of both capital and consumer goods. For the Apr-16 to Feb-17 period, IIP grew @ 0.4% vs 2.6% in the same period of the previous year. The decline in IIP in February 2017 was mainly on account of a 2% contraction in the manufacturing sector, which constitutes over 75% of the index. Overall, 15 out of 22 industry groups in the manufacturing sector have witnessed negative growth in February 2017.

The Central Statistical Organisation (CSO) has estimated real and nominal gross domestic product (GDP) growth at 11.5% and 7.1% respectively in FY17. The Economic Survey has projected economic growth in the range of 6.5 to 6.75% in FY17 and 6.75 to 7.50% in FY18, while cautioning against fluctuations in oil prices and eruption of trade tensions.

The Reserve Bank of India (RBI), in its latest policy statement dated April 6, 2017, has stated that "Considering the baseline assumptions, the fast pace of remonetisation, survey indicators and updated model forecasts, RBI staff's baseline scenario projects that real Gross Value Added (GVA) growth will improve from 6.6 per cent in Q3:2016-17 and 6.5 per cent in Q4: 2016-17 to 7.0 per cent in Q1:2017-18 and 7.4-7.6 per cent in the remaining three quarters of 2017-18, with risks evenly balanced around this baseline path. Looking beyond 2017-18 and assuming a normal monsoon, a congenial global environment, no policy-induced structural change and no supply shocks, structural model estimates yield real GVA growth of 8.1 per cent in 2018-19."

India's growth will find support in strong private consumption stemming from double-digit hikes in government wages and pensions. Notable progress

in restructuring bank balance sheets and reducing excessive leverage in large corporations have set the stage for an expected revival in investments, which could drive growth higher in the year 2017.

Inflation:

India's retail inflation quickened to a five-month high of 3.85% in March 2017 on the back of higher fuel prices, erasing any hope of a rate cut by the central bank in the near future. Retail fuel inflation accelerated to 5.56% in March 2017 from 3.9% in the previous month, even as food prices rose 1.93%, slower than the 2.01% increase in the previous month.

The spurt in CPI and WPI inflation fuels concerns of a pent-up demand after demonetisation, which may prompt RBI to keep policy interest rates unchanged for a few months. At the same time concerns on the growth front could dissuade the central bank from raising policy rates anytime soon.

Fiscal and external situation:

India's trade deficit widened in February 2017 to USD 8.9bn from USD 6.5bn in February 2016 on the back of a surge in imports which expanded 21.8% over the same month of the previous year. Exports also surged, but at a slower pace of 17.5%. The restrictive policies adopted by the USA and Britain's surprise vote last year to leave the European Union (BREXIT) have clouded the global trade outlook.

India's foreign exchange reserves surged by USD 2.67bn to touch an all-time high of USD 366.78bn in the week ended March 17, 2017.

According to data released by the Department of Industrial Policy and Promotion (DIPP), foreign direct investment or FDI in India grew 18 per cent, from USD 39.32bn in 2015 to USD 46bn in 2016. India received maximum FDI inflows from Singapore, Mauritius, the UK, the USA, the Netherlands and Japan. The Government of India has taken several initiatives to further relax foreign investment norms, which should result in higher FDI inflows in FY2017-18.

Capital markets

A synopsis and the road ahead:

Benchmark indices ended FY17 with double-digit returns of 17 to 19%, after touching new lifetime highs in March 2017. A pick up in FII inflows, the ruling party at the centre winning the UP elections and the global markets' recovery contributed to the equity markets' stellar performance in FY17. The Midcap and Small cap indices gained in the range of 33-37%. The rally was also augmented by the bold decisions made by the government - GST, FDI and demonetisation, while digesting the storm of major negative events, including BREXIT, the cash crunch post demonetisation and the Indian currency hitting new lows during the financial year. It is now evident that Indian equity investors are evolving and becoming increasingly mature. The fiscal year ended on a great note for the IPOs launched in FY17. A staggering 25 mainboard IPOs were launched in FY17 and collected Rs.28,200 crore, almost double the amount collected in FY16.

Foreign institutional investors (FIIs) pumped Rs.55,700 crore into domestic equities in FY17 as against outflow of Rs. 14,200 crore in FY16. Domestic Institutional Investors (DIIs) were just short of the figure for FII investments, with equity investments of Rs 51,400 crore as against Rs. 70,100 crore in FY16. However, FIIs ended the second consecutive financial year as net sellers in the debt segment, with a net outflow of Rs 7,300 crore in FY17.

DIIs remain concerned about the lack of earnings growth in the corporate sector. Based on a consensus of expectations, FY17 seems likely to be the fourth successive year of single-digit earnings growth.

Post demonetisation, a recovery in consumption has been heartening. Two of the strongest signals of rural and urban consumption - two-wheeler and passenger car sales - seem to have bounced back satisfactorily in February 2017 and March 2017. Some of the aggregate indicators - the Nikkei India Manufacturing PMI, for instance - have also reflected a sharp revival over the last couple of months.

While investors hope that this momentum will be carried into FY18, the implementation of the Goods and Services Tax (GST) from July 1, 2017 among other factors, will be key in driving the markets. The monsoon and its impact on inflation is another key event to look out for.

The government seems increasingly serious about tackling bank asset quality problems, focussing on GST implementation from 1 July 2017 and is also keen to sharply expand Direct Benefit Transfer (DBT) and digital banking.

Post the outcome of recent state elections, the street is expecting the political situation to gradually become more favourable for implementation of faster and bolder reforms. If this becomes a reality, we could see even bigger inflows from abroad, given the demographic advantage enjoyed by India.

Low average capacity utilisation (70-75%) could continue to curb private capital expenditure in the foreseeable future, though recovery in exports will be a silver lining.

At the global level, events such as the outcome of the French elections, policies adopted by the USA and the trajectory of oil prices will impact sentiments in FY18. Flows to the equity markets via foreign investors and domestic mutual funds are crucial for the market momentum to continue and, of course, will be influenced by these events.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 134(3)(a) extract of Annual Return as provided under sub-section (3) of Section 92 is annexed herewith in Form No. MGT-9 - **Annexure I**

BOARD MEETINGS

During the year under review, 5 (five) Board Meetings were held. The meetings were held on 16 April 2016, 8 June 2016, 2 September 2016, 2 December 2016 and 13 February 2017.

Details of attendance of Directors at the Board Meetings, directorship in other Companies and sitting fees paid to the Directors for attending Board and various Committee meetings during the year under

review are as follows:

| Name of Director | Attendance at Board Meetings | Directorship of other Companies | Sitting Fees (Rs.) |
|-------------------------|------------------------------|---------------------------------|--------------------|
| Mr. Abhay Aima | 4 | 2 | 4,50,000 |
| Dr. (Mrs.) Amla Samanta | 5 | 3 | 6,25,000 |
| Mr. Aseem Dhru | 5 | - | 4,50,000 |
| Mr. Bharat Shah | 5 | 14 | 5,75,000 |
| Mr. Dhiraj Relli | 5 | - | - |
| Mr. Jagdish Capoor | 5 | 10 | 4,75,000 |
| Mr. S.S. Thakur | 5 | 11 | 6,50,000 |
| Mr. Santosh Haldankar | 5 | - | - |

COMPOSITION AND SIZE OF THE BOARD

The composition of the Board of Directors of the Company ("the Board") is governed by the Companies Act, 2013 & the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The Board had 8 (eight) Directors as on 31 March 2017. Mr. Ashish Rathi was appointed by the Board on 13 February 2017 as an additional director in the whole time employment of the company to hold office up to the conclusion of the ensuing Annual General Meeting, subject to approvals in terms of the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The approvals for his appointment have since been received and his appointment is effective from 1 April 2017. The Company has also received a notice pursuant to Section 160 of the Companies Act, 2013 proposing the candidature of Mr. Rathi as a Director at the ensuing Annual General Meeting. Mr. Santosh Haldankar resigned as whole time Director with effect from 1 April 2017 and the necessary approvals pursuant to the SEBI (Stock brokers and Sub brokers) Regulations, 1992 have since been received. All Directors other than Mr. Dhiraj Relli and Mr. Ashish Rathi are non-executive directors as on the date of this report. The Company has 2(two) independent directors and

6(six) non-independent directors as on the date of this report.

Mr. Abhay Aima, Mr. Aseem Dhru, Mr. Ashish Rathi, Mr. Bharat Shah, Mr. Dhiraj Relli and Mr. Jagdish Capoor are the non independent directors on the Board.

Mr. S.S. Thakur and Dr. (Mrs.) Amla Samanta are independent directors on the Board.

None of the directors are related to each other.

COMPOSITION OF COMMITTEES OF DIRECTORS

The Board has constituted various Committees of Directors to take informed decisions in the best interest of the Company. These Committees monitor the activities falling within their terms of reference.

The various Committees of the Board are as follows:

Audit Committee:

The members of the Audit Committee are Mr. Abhay Aima, Dr. (Mrs.) Amla Samanta and Mr. S.S. Thakur. The Committee is chaired by Mr. S.S. Thakur.

The Committee met 5 (five) times during the year. The meetings of the Committee were held on 16 April 2016, 8 June 2016, 2 September 2016, 2 December 2016 and 13 February 2017.

The terms of reference of the Audit Committee inter-alia include the following:

- a. Recommending appointment, remuneration and terms of appointment of auditors of the Company;
- b. Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process;
- c. Reviewing with management, the financial statements and the auditors' report thereon focussing primarily on accounting policies and practices, compliances with other requirements concerning financial statements;
- d. Approval or any subsequent modification of

transactions of the Company with related parties;

- e. Reviewing the adequacy of the Company's financial controls and risk management systems;
- f. Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures, techniques and other regulatory requirements.

Nomination & Remuneration Committee:

The Company has constituted a Nomination and Remuneration Committee for identification and recommending the appointment of directors, key managerial personnel and senior management personnel. The Nomination and Remuneration Committee scrutinizes the appointment of directors, key managerial personnel and senior management personnel based on positive attributes, independence, qualifications, integrity etc. The Committee ensures that there is balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals and formulates various policies to achieve the same.

The members of the Nomination and Remuneration Committee are Dr. (Mrs.) Amla Samanta, Mr. Bharat Shah, Mr. Jagdish Capoor and Mr. S.S. Thakur. The Committee is chaired by Mr. S.S. Thakur.

The Committee met 5 (five) times during the year. The meetings of the Committee were held on 16 April 2016, 8 June 2016, 2 September 2016, 2 December 2016 and 13 February 2017.

CAPEX Committee:

The CAPEX Committee considers and approves all capital expenditure incurred by the Company for its various projects, branch set up, etc. from time to time.

The members of the Committee are Mr. Abhay Aima, Mr. Aseem Dhru, Mr. Bharat Shah, Mr. Dhiraj Relli and Mr. Jagdish Capoor. The Committee met 4 (four) times during the year. The meetings of the Committee were held on 16 April 2016, 2 September 2016, 2 December 2016

and 13 February 2017.

Share Allotment and Transfer Committee:

The Share Allotment and Transfer Committee approves and monitors allotments, transfers, transmission, splitting and consolidation of shares issued by the Company. The Committee consists of Mr. Aseem Dhru and Mr. Dhiraj Relli.

Corporate Social Responsibility (CSR) Committee:

The Board has constituted a CSR Committee with the following terms of reference :

- To formulate the Company's CSR Strategy, Policy and Goals;
- To recommend the amount of expenditure to be incurred every financial year on the CSR activities;
- To monitor the Company's CSR Policy and performance;
- To review the CSR projects/initiatives from time to time.

The members of the CSR Committee are Mr. Abhay Aima, Dr. (Mrs.) Amla Samanta, Mr. Aseem Dhru, Mr. Bharat Shah, Mr. Dhiraj Relli and Mr. S.S. Thakur.

The Committee met 4 (four) times during the year. The meetings of the Committee were held on 16 April 2016, 8 June 2016, 2 September 2016 and 2 December 2016.

Investment Management Committee:

The Investment Management Committee considers and approves the investment of funds by the Company within the overall limits approved by the Board. The Committee consists of Mr. Dhiraj Relli, Mr. C.V. Ganesh and Mr. N. E. Venkitakrishnan (Mr. Santosh Haldankar upto 31 March, 2017). The Committee met 3(three) times during the year. The meetings of the Committee were held on

2 September 2016, 2 December 2016 and 13 February 2017.

Research Analyst Remuneration Committee:

The Research Analyst Remuneration Committee considers and approves the remuneration of individuals employed as Research Analyst in accordance with the Policy and Procedures framed for regulating the Research Analyst pursuant to the SEBI (Research Analyst) Regulations, 2014. The Committee consists of Mr. S. S. Thakur, Mr. Dhiraj Relli, Mr. Ashish Rathi and Ms. Reynu Bhat. The Committee met once during the year on 2 September 2016.

GENERAL BODY MEETINGS

(During previous three financial years)

| Meeting | Date and Time | Venue | No. of Special Resolutions passed |
|----------------------|--------------------------------|--|-----------------------------------|
| EGM | 13 February, 2017 at 10.30 a.m | HDFC Bank House, 5th Floor, S.B. Marg, Lower Parel, Mumbai 400 013 | 2 (two) |
| 16 th AGM | 8 June, 2016 at 11.30 a.m | HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013 | None |
| 15 th AGM | 12 June, 2015 at 11.30 a.m. | HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013 | 3 (three) |
| 14 th AGM | 20 June, 2014 at 11.30 a.m. | HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013 | 3 (three) |

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors hereby state that:

1. In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March, 2017 and of the profit of the Company for the year ended on that date;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on a going concern basis;
5. We have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
6. We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

INTERNAL FINANCIAL CONTROLS

The internal financial controls with reference to the Financial Statements are commensurate with the size and nature of business of the Company.

DECLARATION BY INDEPENDENT DIRECTORS

Mr. S.S. Thakur and Dr. (Mrs.) Amla Samanta have given a declaration stating that they meet the criteria of independence as provided under sub-section (6) of Section 149 of the Companies Act, 2013. The Board has taken the same on record.

NOMINATION & REMUNERATION POLICY

The Company has adopted the Nomination & Remuneration Policy pursuant to which the appointment of Directors, Key Managerial Personnel and Senior Management Personnel of the Company is reviewed by the Nomination & Remuneration Committee with recommendations to the Board. The Nomination & Remuneration Policy inter-alia provides for identification of persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down such as

- academic qualifications, previous experience, track record
- integrity of the candidate
- external competitiveness and
- size and complexity of the job

The Company has also adopted the Directors' Performance Evaluation Policy including the criteria for performance evaluation. Pursuant thereto the performance evaluation of Independent Directors is done by the entire Board, excluding the director being evaluated. The Independent Directors at a separate meeting held on 2 December 2016 have also reviewed and evaluated the performance of the Non-Independent Directors and the entire Board.

AUDIT QUALIFICATIONS

During the year under review, there is no audit qualification, reservation, adverse remark or disclaimer in the Company's financial statements by the Auditor or by the Company Secretary in practice in the Secretarial Audit Report. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013

During the year under review, the Company has not given any loans, guarantees pursuant to Section 186 of the Companies Act, 2013. The particulars of investments made by the Company under Section 186

of the Companies Act, 2013 at the close of the financial year are reflected in Note No. 11& 14 of the financial statements.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED TO IN SUB-SECTION (1) OF SECTION 188

The particulars of contracts or arrangements with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 is annexed herewith in Form AOC-2 - **Annexure II**

RISK MANAGEMENT POLICY

The Company has a robust risk management policy wherein the various risks including market risk, liquidity risk and operational risk are identified and prudential limits are set internally by the Management to control and mitigate the risks with various risk strategy, policies, procedures and systems. The Company has a comprehensive centralized risk management function, independent from the operations and business units of the Company. A dedicated team with risk management function is responsible for assessment, monitoring and reporting of risks. Material operational risk losses are examined thoroughly to identify areas of risk exposures and gaps in controls basis which appropriate risk-mitigating actions are initiated. The Company periodically carries out liquidity stress testing which forms an integral part of the internal capital adequacy assessment process (ICAAP) both on historical and forecasted data.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a responsible Corporate Citizen, the Company strives for community empowerment through socio-economic development of underprivileged and marginalized sections of society. It has been the Company's endeavour to put more value on bringing social good, which is beneficial to the society and thus making a difference in the livelihood of the people. Pursuant to Section 135 of the Companies Act, 2013, a brief outline on the Company's CSR Policy and the CSR Activities/Initiatives taken by the Company is enclosed in **Annexure III**

DIVIDEND

During the financial year under review, the Board of Directors have declared an Interim dividend of Rs.40/- per equity share (i.e @ 400%) for the year ended 31 March 2017. This dividend has been paid to the shareholders and the necessary dividend distribution tax has been deposited by the Company.

Your directors recommend payment of final dividend of Rs.20/- per equity share (i.e @200%) for the year ended 31st March 2017. The total dividend for the year is Rs. 60/- per equity share as against interim dividend of Rs.20/- per equity share for the previous year.

AWARDS AND RECOGNITION

During the year under review, the Company was awarded the "Runners-Up" position by Outlook Money Awards 2016 in the "Best Retail Broker" Category. The Company also won three prestigious PFRDA Awards for NPS, viz., (a) Best POP All Citizen (b) Best POP NPS Corporate and (c) Best POP NPS Private Sector.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

- A. Since the Company does not carry out any manufacturing activities, particulars to be disclosed with respect to conservation of energy and technology absorption under Section 134(q) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 are not applicable.
- B. Details of earnings and expenses in foreign currency are reflected in Note no. 24.3 of the financial statements.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Aseem Dhru and Mr. Dhiraj Relli retire by rotation at the ensuing Annual General meeting and are eligible for re-appointment.

The following are the changes in the Directors and Key Managerial Personnel of the Company during the

year under review :

- 1) Mr. Ashish Rathi was appointed by the Board on 13 February 2017 as an additional director in the whole time employment of the Company to hold office up to the conclusion of the ensuing Annual General Meeting. The appointment was subject to the approvals pursuant to the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The approvals for his appointment as whole time Director have since been received and his appointment is effective from 1 April 2017.
- 2) Mr. Santosh Haldankar resigned as whole time Director and Company Secretary on 13 February 2017. Necessary approvals pursuant to the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992 have since been received and his resignation as whole time Director is effective from 1 April 2017.
- 3) Mr. N. E. Venkitakrishnan was appointed as Company Secretary with effect from 13 February 2017.

Your directors wish to place on record their sincere appreciation of the services rendered by Mr. Santosh Haldankar during his tenure as whole time Director of the Company.

EMPLOYEE STOCK OPTIONS

The Company has granted 2,80,000 stock options to its employees during the year, entitling them to receive an equivalent number of equity shares of the face value of Rs.10/- each at an exercise price of Rs.1,136/- per share. The stock options were granted pursuant to the approval of Stock Option Scheme viz, ESOS-II by the shareholders in February 2017. The details on the subject have been disclosed in the notes forming part of the financial statements in Note No.32.

PUBLIC DEPOSIT

During the year under review, the Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013.

INFORMATION PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013

The information required to be given under the

provisions of Section 197(12) of the Companies Act, 2013 read with the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, is given in the **Annexure IV** enclosed.

AUDITORS

M/s. Deloitte Haskins & Sells, LLP, Chartered Accountants, Statutory Auditors of the Company will retire at the conclusion of the forthcoming Annual General Meeting. It is proposed to appoint M/s B S R & Co., LLP, Chartered Accountants, Registration No. 101248W / W - 100022 as Statutory Auditors of the Company for the audit of its accounts for the financial year 2017-18, subject to the approval of the members.

SECRETARIAL AUDIT

In terms of Section 204 of the Companies Act, 2013 and Rules made thereunder, M/s BNP & Associates, Practicing Company Secretaries have been appointed as Secretarial Auditors of the Company for the financial year 2016-17. The report of the Secretarial Auditors is enclosed in Form MR-3 to this Report - **Annexure V**

ACKNOWLEDGEMENT AND APPRECIATION

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from the Securities and Exchange Board of India, the Bombay Stock Exchange Limited, National Stock Exchange of India Limited, National Securities Depository Limited, Central Depository Services (India) Limited and other government and regulatory agencies.

Your Directors are grateful to the Company's customers and bankers for their continued support.

Your Directors would also like to take this opportunity to express their appreciation to the dedicated and committed team of employees for their contribution to the Company. We would also like to thank all our shareholders for their support in our endeavours.

On behalf of the Board of Directors

**Place: Mumbai.
Date: 17 April 2017**

**Bharat Shah
Chairman**

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31 March 2017

[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 : U67120MH2000PLC152193
(ii) Registration Date : 17 April 2000
(iii) Name of the Company : HDFC Securities Limited
(iv) Category/Sub-Category of the Company : Company Limited by shares
(v) Address of the Registered office and contact details: : Office Floor 8, I Think Techno Campus Building B - Alpha, Kanjurmarg (East), Mumbai 400042. Tel : 022-61717330.
(vi) Whether listed company : No
(vii) Name, Address and Contact details of Registrar and Transfer Agent, if any : Datamatics Financial Services Limited, Plot No. B-5, MIDC, Marol, Andheri (East), Mumbai 400093. Tel : 022-66712213/2214

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

| Sl. No. | Name and Description of main products/services | NIC Code of the Product/service | % to total turnover of the Company |
|---------|--|---------------------------------|------------------------------------|
| 1. | Stock Broking and related products | 67120 | 100% |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| S.NO. | NAME AND ADDRESS OF THE COMPANY | CIN/GLN | HOLDING/ SUBSIDIARY/ ASSOCIATE | % of shares held | Applicable Section |
|-------|---------------------------------|-----------------------|--------------------------------|------------------|--------------------|
| 1 | HDFC Bank Limited | L65920MH1994PLC080618 | Holding Company | 97.91 | Section 2 |

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
(i) Category-wise Share Holding

| 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) Individual/HUF | - | - | - | - | - | - | - | - | - |
| b) Central Govt. | - | - | - | - | - | - | - | - | - |
| c) State Govt(s) | - | - | - | - | - | - | - | - | - |
| d) Bodies Corp. | - | - | - | - | - | - | - | - | - |
| e) Banks/FI | 1,51,60,295 | - | 1,51,60,295 | 97.91 | 1,51,60,295 | - | 1,51,60,295 | 97.91 | - |
| f) Any Other | - | - | - | - | - | - | - | - | - |
| Sub-total | 1,51,60,295 | - | 1,51,60,295 | 97.91 | 1,51,60,295 | - | 1,51,60,295 | 97.91 | - |
| (A) (1):- | | | | | | | | | |
| (2) Foreign | | | | | | | | | |
| a) NRIs - Individuals | - | - | - | - | - | - | - | - | - |
| b) Other Individuals | - | - | - | - | - | - | - | - | - |
| c) Bodies Corp. | - | - | - | - | - | - | - | - | - |
| d) Banks/FI | - | - | - | - | - | - | - | - | - |
| e) Any Other... | - | - | - | - | - | - | - | - | - |
| Sub-total | | | | | | | | | |

| | | | | | | | | | |
|---|-------------|--------|-------------|--------|-------------|--------|-------------|--------|--------|
| (A) (2):- | - | - | - | - | - | - | - | - | - |
| Total shareholding of Promoter | - | - | - | - | - | - | - | - | - |
| (A) =(A)(1)+(A)(2) | 1,51,60,295 | - | 1,51,60,295 | 97.91 | 1,51,60,295 | - | 1,51,60,295 | 97.91 | - |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | - | - | - | - | - | - | - | - | - |
| b) Banks/FI | - | - | - | - | - | - | - | - | - |
| c) Central Govt. | - | - | - | - | - | - | - | - | - |
| d) State Govt(s) | - | - | - | - | - | - | - | - | - |
| e) Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| f) Insurance Companies | - | - | - | - | - | - | - | - | - |
| g) FIIs | - | - | - | - | - | - | - | - | - |
| h) Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| i) Others (specify) | - | - | - | - | - | - | - | - | - |
| Sub-total | | | | | | | | | |
| (B) (1):- | | | | | | | | | |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | - | - | - | - | - | - | - | - | - |
| ii) Overseas | - | - | - | - | - | - | - | - | - |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto Rs. 1 lakh | 1,30,806 | 55,024 | 1,85,830 | 1.20 | 1,70,431 | 62,524 | 2,32,955 | 1.51 | 0.31 |
| ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh | 1,27,000 | 10,000 | 1,37,000 | 0.89 | 89,875 | 0 | 89,875 | 0.58 | (0.31) |
| c) Others (specify) | - | - | - | - | - | - | - | - | - |
| Sub-total | | | | | | | | | |
| (B)(2):- | | | | | | | | | |
| Total Public Shareholding | 2,57,806 | 65,024 | 3,22,830 | 2.09 | 2,60,306 | 62,524 | 3,22,830 | 2.09 | - |
| (B)=(B)(1)+(B)(2) | | | | | | | | | |
| C. Shares held by Custodian for GDRs & ADRs | - | - | - | - | - | - | - | - | - |
| Grand Total (A+B+C) | 1,54,18,101 | 65,024 | 1,54,83,125 | 100.00 | 1,54,20,601 | 62,524 | 1,54,83,125 | 100.00 | - |

(ii) **Shareholding of Promoters**

| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % Change during the year |
|---------|--------------------|---|----------------------------------|--|-------------------------------------|----------------------------------|--|--------------------------|
| | | No. of Shares | % of total Shares of the Company | % of Shares Pledged/encumbered to total shares | No. of Shares | % of total Shares of the Company | % of Shares Pledged/encumbered to total shares | |
| 1. | HDFC Bank Limited | 1,51,60,295 | 97.91 | Nil | 1,51,60,295 | 97.91 | Nil | Nil |

(iii) **Change in Promoters' Shareholding (please specify, if there is no change)**

| Sl. No. | | 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 |
| | At the beginning of the year | 1,51,60,295 | 97.91 | 1,51,60,295 | 97.91 |
| | Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.) | - | - | - | - |
| | At the end of the year | 1,51,60,295 | 97.91 | 1,51,60,295 | 97.91 |

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

| Sl. No. | For Each of the Top 10 Shareholders | 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 |
| | At the beginning of the year | | | | |
| 1 | Adil F. Patrawala | 33,750 | 0.22 | 33,750 | 0.22 |
| 2 | Sanju Verma | 18,750 | 0.12 | 18,750 | 0.12 |
| 3 | Siddharth M. Khiraiya | 12,000 | 0.08 | 12,000 | 0.08 |
| 4 | Manish Dabir | 10,000 | 0.06 | 10,000 | 0.06 |
| 5 | Harish H. Engineer | 10,000 | 0.06 | 10,000 | 0.06 |
| 6 | Anil Ahuja | 10,000 | 0.06 | 10,000 | 0.06 |
| 7 | Sudhir Moreshwar Joshi | 10,000 | 0.06 | 10,000 | 0.06 |
| 8 | Uma Krishnan | 10,000 | 0.06 | 10,000 | 0.06 |
| 9 | Iyer Balakrishnan Venkatraman | 8,700 | 0.06 | 8,700 | 0.06 |
| 10 | Kamala Sundaram | 2,875 | 0.02 | 2,875 | 0.02 |
| | Total | 1,26,075 | 0.81 | 1,26,075 | 0.81 |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.): Transfer on 27/1/2017 | 10,000 | 0.06 | 10,000 | 0.06 |
| | | - | - | - | - |
| | At the End of the year (or on the date of separation, if separated during the year) | | | | |
| 1 | Adil F. Patrawala | 33,750 | 0.22 | 33,750 | 0.22 |
| 2 | Sanju Verma | 18,750 | 0.12 | 18,750 | 0.12 |
| 3 | Kamala Sundaram | 12,875 | 0.08 | 12,875 | 0.08 |
| 4 | Siddharth M. Khiraiya | 12,000 | 0.08 | 12,000 | 0.08 |
| 5 | Manish Dabir | 10,000 | 0.06 | 10,000 | 0.06 |
| 6 | Harish H. Engineer | 10,000 | 0.06 | 10,000 | 0.06 |
| 7 | Anil Ahuja | 10,000 | 0.06 | 10,000 | 0.06 |
| 8 | Sudhir Moreshwar Joshi | 10,000 | 0.06 | 10,000 | 0.06 |
| 9 | Uma Krishnan | 10,000 | 0.06 | 10,000 | 0.06 |
| 10 | Iyer Balakrishnan Venkatraman | 8,700 | 0.06 | 8,700 | 0.06 |
| | Total | 1,36,075 | 0.87 | 1,36,075 | 0.87 |

(v) *Shareholding of Directors and Key Managerial Personnel:*

| Sl. No. | For Each of the Directors and KMP | 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 |
| | At the beginning of the year | | | | |
| 1 | C.V. Ganesh | 22,500 | 0.14 | 22,500 | 0.14 |
| 2 | Jagdish Capoor | 1 | - | 1 | - |
| 3 | S.S. Thakur | 4 | - | 4 | - |
| 4 | Santosh Haldankar | 105 | - | 105 | - |
| | Total | 22,610 | 0.14 | 22,610 | 0.14 |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.): Transfer on 27/1/2017 | (10,000) | (0.06) | (10,000) | (.06) |
| | | - | - | - | - |
| | At the End of the year | | | | |
| 1 | C.V. Ganesh | 12,500 | 0.08 | 12,500 | 0.08 |
| 2 | Jagdish Capoor | 1 | - | 1 | - |
| 3 | S.S. Thakur | 4 | - | 4 | - |
| 4 | Santosh Haldankar | 105 | - | 105 | - |
| | Total | 12,610 | 0.08 | 12,610 | 0.08 |

V. INDEBTEDNESS

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

| | Secured Loans excluding deposits | Unsecured Loans | Deposit | Total Indebtedness |
|--|-------------------------------------|-----------------|---------|-----------------------|
| Indebtedness at the beginning of the financial year | | | | |
| (i) Principal Amount | Nil | Nil | Nil | Nil |
| (ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| (iii) Interest accrued but not due | Nil | Nil | Nil | Nil |
| Total (i+ii+iii) | Nil | Nil | Nil | Nil |
| Change in Indebtedness during the financial year | | | | |
| • Addition | Nil | Nil | Nil | Nil |
| • Reduction | Nil | Nil | Nil | Nil |
| Net Change | Nil | Nil | Nil | Nil |
| Indebtedness at the end of the financial year | | | | |
| (i) Principal Amount | Nil | Nil | Nil | Nil |
| (ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| (iii) Interest accrued but not due | Nil | Nil | Nil | Nil |
| Total (i+ii+iii) | Nil | Nil | Nil | Nil |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: (Rs. in lakhs)

| Sl. No. | Particulars of Remuneration | Name of the MD/WTD/Manager | | Total Amount |
|---------|---|---|-------------------|---------------|
| | | Dhiraj Relli* | Santosh Haldankar | |
| 1. | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 | 146.92 | 40.59 | 187.51 |
| | (b) Value of perquisites u/s 17(2) Income Tax Act, 1961 | 21.36 | 2.59 | 23.95 |
| | (c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961 | - | - | - |
| 2. | Stock Options | - | - | - |
| 3. | Sweat Equity | - | - | - |
| 4. | Commission | - | - | - |
| | - as % of profit | - | - | - |
| | - others, specify | - | - | - |
| 5. | Others, please specify | | | |
| | - Provident Fund | 3.46 | 0.68 | 4.14 |
| | - Superannuation | 3.75 | - | 3.75 |
| | Total (A) | 175.49 | 43.86 | 219.35 |
| | Ceiling as per Act | Rs.3322 lakhs (being 10% of the net profit of the Company calculated as per Section 198 of the Companies Act, 2013) | | |

* Note - The remuneration of Mr. Dhiraj Relli, Managing Director is by way of Secondment Charges re-imbursed by the Company.

B. Remuneration to other directors:
(Rs. in lakhs)

| Sl. No. | Particulars of Remuneration | Name of the Directors | | | | Total Amount |
|---------|--|---|--------------|----------------|-------------|---------------|
| | | S.S. Thakur | Amla Samanta | | | |
| | 1. Independent Directors | | | | | |
| | • Fee for attending board/committee meetings | 6.50 | 6.25 | | | 12.75 |
| | • Commission | - | - | | | - |
| | • Others, please specify | - | - | | | - |
| | Total (1) | 6.50 | 6.25 | | | 12.75 |
| | | Bharat Shah | Abhay Aima | Jagdish Capoor | Aseem Dhru | |
| | 2. Other Non-Executive Directors | | | | | |
| | • Fee for attending board/committee meetings | 5.75 | 4.50 | 4.75 | 4.50 | 19.50 |
| | • Commission | - | - | - | - | - |
| | • Others, please specify | | | | | |
| | Remuneration | 15.83 | - | - | - | 15.83 |
| | Value of Perquisites | 9.37 | - | - | - | 9.37 |
| | Total (2) | 30.95 | 4.50 | 4.75 | 4.50 | 44.70 |
| | Total (B)=(1+2) | | | | | 57.45 |
| | Total Managerial Remuneration | | | | | 276.80 |
| | Overall Ceiling as per the Act | Rs.3654 lakhs (being 11% of the net profit of the Company calculated as per Section 198 of the Companies Act, 2013) | | | | |

C. Remuneration to key managerial personnel other than MD/MANAGER/WTD
(Rs. in lakhs)

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | | |
|---------|---|--------------------------|--------------------|---------------|---------------|
| | | CEO | Company Secretary* | CFO | Total |
| 1. | Gross salary | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 | N.A. | 3.82 | 119.10 | 122.92 |
| | (b) Value of perquisites u/s 17(2) of Income Tax Act, 1961 | | 1.05 | 9.25 | 10.30 |
| | (c) Profits in lieu of salary under section 17(3) of Income Tax Act, 1961 | | | - | - |
| 2. | Stock Option | | | - | - |
| 3. | Sweat Equity | | | - | - |
| 4. | Commission | | | | |
| | - as % of profit | | | - | - |
| | - others, specify | | | - | - |
| 5. | Others, please specify | | | | |
| | - Provident Fund | | 0.20 | 2.36 | 2.56 |
| | - Superannuation Fund | | 0.21 | | 0.21 |
| | Total | - | 5.28 | 130.71 | 135.99 |

*Represents remuneration of Mr.N.E.Venkitakrishnan, Company Secretary from 13/2/2017 to 31/3/2017 by way of secondment charges re-imbursed by the company. This is in addition to the amounts paid to Mr.Santosh Haldankar as furnished in VI A as whole time Director & Company Secretary. Mr.Santosh Haldankar ceased to be Company Secretary w.e.f 13 February 2017.

VII. 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 | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. DIRECTORS | | | | | |
| Penalty | | | NIL | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |

On behalf of the Board of Directors

Place: Mumbai.

Date: 17 April 2017

Bharat Shah

Chairman

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 arrangements or transactions at arm's length basis**

| | | |
|-----|--|--|
| (a) | Name(s) of the related party and nature of relationship | 1. HDFC Bank Limited (Holding Company) 2. HDB Financial Services Limited. (Enterprise under common control of the Holding Company) |
| (b) | Nature of contracts/arrangements/transactions | Banking and other normal business transactions (Mentioned in the notes forming part of the financial statements at Note no.26). |
| (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.26 |
| (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. |

On behalf of the Board of Directors

Place: Mumbai.
Date: 17 April 2017

Bharat Shah
Chairman

REPORT ON CSR ACTIVITIES/INITIATIVES
[Pursuant to Section 135 of the Act & Rules made thereunder]

1. Brief Outline of the CSR Policy

The Company has adopted the Corporate Social Responsibility Policy outlining the various activities defined in Schedule VII of the Companies Act, 2013. The Policy envisages the formulation of the CSR Committee which will recommend the amount of expenditure to be incurred on the activities referred to in the Policy to the Board and monitor the project/programs from time to time with reporting of the progress on such project/programs to the Board. The execution of the projects/programs is either by way of partnering through the implementing agencies or directly by the Company. Contents of the CSR policy of the Company is displayed on the website of the Company www.hdfcsecurities.com.

2. The Composition of the CSR Committee

The CSR Committee consists of 6(six) directors out of which 2(two) directors are Independent Directors.

The members of the CSR Committee are as follows:

- 1) Mr. Abhay Aima
- 2) Mr. Aseem Dhru
- 3) Mr. Bharat Shah
- 4) Mr. Dhiraj Relli
- 5) Mr. S.S. Thakur - Independent Director
- 6) Dr.(Mrs.) Amla Samanta - Independent Director

3. Average Net Profit of the Company for last 3 financial years

Rs. 191.27 crore

4. The Prescribed CSR expenditure (2% of amount)

Rs. 3.82 crore

5. Details of CSR activities/projects undertaken during the year:

- (a) Total amount spent for the financial year 2016-17: Rs. 359.70 Lacs

This includes the total amount committed and disbursed during the year, the details of which are explained below:

1. During the year, the Company disbursed Rs. 327.68 lacs across various CSR Projects identified by the Company through implementing agencies
2. An amount of Rs. 32.02 lacs though allocated and committed to a Project during this financial year, the same will be disbursed in the next financial year considering a time horizon of 12-16 months for implementation of the Project

- (b) Amount unspent, if any: Rs.22.30 lacs

- (c) Manner in which the amount spent during the financial year is detailed below:

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|-------|---|--|---|--|---|--|---|
| S. No | CSR Project or activity identified | Sector in which the Project is covered | Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken | Amount outlay (budget) projects or programs wise | Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads | Cumulative expenditure upto the reporting period | Amount spent : Direct or through *implementing agency |
| 1. | Water and Sanitation project for households | Health & Sanitation | Maharashtra | 1,04,41,812 | 1,04,41,812 | 1,04,41,812 | Implementing Agency |
| 2. | Water and Sanitation project for villages | Health & Sanitation | Gujarat | 1,00,06,710 | 70,04,697 | 70,04,697 | Implementing Agency |

| | | | | | | | |
|----|--|----------------------------------|-------------|-----------|-----------|-----------|---------------------|
| 3. | Building toilet facilities in schools across villages | Health & Sanitation | Maharashtra | 15,00,000 | 15,00,000 | 15,00,000 | Implementing Agency |
| 4. | Providing scholarships for 400 underprivileged children, digital classrooms, computers and laptops | Promotion of Education | Tamil Nadu | 70,37,280 | 70,37,280 | 70,37,280 | Implementing Agency |
| 5. | Purchase of school bus for children, renovation, operation and painting of sadans and installation of water pipeline in the school | Promotion of Education | Maharashtra | 49,64,445 | 49,64,445 | 49,64,445 | Implementing Agency |
| 6. | Providing financial support, medicines and check up for patients undergoing medical treatment | Preventive & curative healthcare | Maharashtra | 10,00,000 | 10,00,000 | 10,00,000 | Implementing Agency |
| 7. | Child education | Promotion of Education | Maharashtra | 2,50,000 | 2,50,000 | 2,50,000 | Implementing Agency |
| 8. | Promoting education and livelihood enhancement | Promotion of Education | Gujarat | 2,70,000 | 2,70,000 | 2,70,000 | Implementing Agency |
| 9. | CSR Administration Cost | | | 5,00,000 | 3,00,000 | 3,00,000 | |

* Details of the implementing agencies are listed below:

Swades Foundation, Yuva Unstoppable, Agrasar, Isha Education, India Sponsorship Committee, Nana Palkar Smruti Samiti

6. Reason for not spending the amount

The Company has committed and disbursed 1.71% of the average net profit as a part of its CSR implementing programme in the FY 2016-17 as against a spend of 1.22% for the FY 2015-16. Some projects undertaken by the Company during the reporting period are long term and will require a 12-16 months implementation time frame for a sustainable and meaningful impact. The Company believes in active participation in the CSR implementation so as to have a long term, meaningful and positive social impact over a period of years. Thus, though the Company has endeavoured to increase its CSR spend over the last financial year with increased participation and meaningful discussions with implementing agencies, it could not fully utilise the CSR spend on account of unavailability of effective CSR Projects in accordance with the company's implementation strategy for a meaningful impact. The Company will further augment its efforts to meet the targeted CSR spends in the coming years.

7. Responsibility statement by the CSR Committee

The CSR Committee states that the implementation and monitoring of the CSR Policy, is in compliance with CSR objectives and Policy of the Company.

On behalf of the Board of Directors

Dhiraj Relli
Managing Director

Bharat Shah
Chairman

Place: Mumbai

Date: 17 April 2017

Information pursuant to Section 197(12) of the Companies Act, 2013.**Particulars of Top 10 employees in terms of remuneration drawn (Employed throughout the year)**

| Name and Qualification | Age in yrs. | Designation/Nature of Duties | Date of commencement of employment | Remuneration (Rs.) | Experience (No. of years) | Last Employment |
|--|--------------------|--|---|---------------------------|----------------------------------|--|
| 1) Mr.Dhiraj Relli \$ B.Com (Hon.), ACA, Advanced Mgmt.Prog. (IIM Bengaluru) | 47 | Managing Director | 1 May 2015 | 1,75,48,896 | 22 | HDFC Bank Ltd. |
| 2) Mr.Siddharth Shah B.Com | 57 | Head -Branch Dealing | 1 June 2010 | 1,32,52,619 | 36 | HDFC Bank Ltd |
| 3) Mr. C.V. Ganesh B.Com, CA, CWA | 45 | Chief Operating Officer | 2 May 2008 | 1,30,47,425 | 23 | Citi Technology Services Ltd. |
| 4) Mr. Deepak Jasani B.Com, LL.B, FCA, CFA | 53 | Head-Retail Research | 7 April 2004 | 91,33,667 | 22 | Kaji&Maulik Services Ltd. |
| 5) Ms.Reynu B Bhat B.Sc. | 53 | Head-Human Resources | 15 January 2004 | 84,43,147 | 22 | Microwave Communication Limited |
| 6) Mr.Uday Singh B.Com, MBA | 43 | Head - Special Desk, Call centre operations | 21 December 2005 | 82,63,059 | 21 | ICICI Prudential Life Insurance Company Ltd. |
| 7) Mr.Vinod Sharma B.Com, MBA | 55 | Head-Private Client Group | 30 October 2009 | 82,34,583 | 32 | Anagram Securities Limited |
| 8) Mr.Dipen Sheth B Tech (IIT), PGDBM (IIM) | 50 | Head-Institutional Research | 12 April 2012 | 74,36,693 | 25 | Edelweiss Securities |
| 9) Mr. Ashish Rathi B.Com, ACA | 37 | Head-Risk & Compliance | 1 September 2003 | 65,80,445 | 15 | Rafaga Info Knowledge |
| 10) Mr.S.Sambath Kumar B.Com | 41 | Head of Equity, Third Party Product and NPS | 12 January 2015 | 62,56,644 | 18 | Reliance Capital |

\$ On deputation

Notes:

1. Remuneration as shown above includes salary, performance bonus paid during the year, house rent allowance, medical allowance, reimbursement of telephone bills, leave travel allowance, superannuation, other taxable allowances and Company's contribution to provident fund.
2. None of the above are related to any Director of the Company.
3. Nature of employment is contractual

On behalf of the Board of Directors

**Place: Mumbai.
Date: 17 April 2017**

**Bharat Shah
Chairman**

Form No. MR-3
SECRETARIAL AUDIT REPORT

For the financial year ended 31st March, 2017

*[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

HDFC Securities Limited

I Think Techno Campus, Bld-B,
“Alpha,” Office Floor 8, opp. Crompton Greaves,
Kanjurmarg (E) Mumbai 400042.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to corporate practices by **HDFC Securities Limited** (hereinafter called ‘the Company’) for the audit period covering the financial year ended on 31st March, 2017 (‘the audit period’). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s 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, we hereby report that in our opinion, the Company has, during the audit period 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.

We 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, 2017 according to the 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 (Prohibition of Insider Trading) Regulations, 2015;
 - b. 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.
- v. Other laws as applicable specifically to the Company:
 1. The Securities & Exchange Board of India (Stock Brokers & Sub-Brokers) Regulations 1992 except guidelines, circulars, master circulars and directions issued by the Securities and Exchange Board of India or the Stock Exchanges and applicable to the Company as a stock broker relating to its day to-day operations in the ordinary course of business.

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by the Institute of Company Secretaries of India related to meetings and minutes.

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

During the period under review, provisions of the following Act / Regulations were not applicable to the Company:

- a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- b. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- c. The Securities and Exchange Board of India (Share Based Employee benefits) Regulations, 2014;
- d. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- e. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- f. The Securities and Exchange Board of India (Buyback of Securities) Regulation, 1998;
- g. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- h. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Overseas Direct Investments and External Commercial Borrowings.

We further report that -

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 that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings in compliance with the provisions of Section 173(3) of the Companies Act, 2013, 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.

Decisions at the meetings of the Board of Directors of the Company were carried through on the basis of majority. There were no dissenting views by any member of the Board of Directors during the period under review.

We 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.

We further report that -

During the audit period, there was no specific event / action having a major bearing on the Company's affairs pursuant to the laws, rules, regulations, guidelines, standards, etc. as referred above.

For BNP & Associates
Company Secretaries

Place: Mumbai
Date: 17 April 2017

B. Narasimhan
Partner
FCS No. 1303 / COP No. 10440

Annexure I to the Secretarial Audit Report for the financial year ended 31st March, 2017

To,
**The Members,
HDFC Securities Limited**

Our Secretarial Audit Report of even date is to be read along with this letter.

1. The compliance of provisions of all laws, rules, regulations, standards applicable to **HDFC Securities Limited** (the 'Company') is the responsibility of the management of the Company. Our examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.
2. Maintenance of secretarial and other records of applicable laws is the responsibility of the management of the Company. Our responsibility is to issue Secretarial Audit Report, based on the audit of the relevant records maintained and furnished to us by the Company, along with explanations where so required.
3. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. The verification was done on test check basis to ensure that correct facts as reflected in secretarial and other records produced to us. We believe that the processes and practices we followed, provides a reasonable basis for our opinion for the purpose of issue of the Secretarial Audit Report.
4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
5. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and major events during the audit period.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For BNP & Associates
Company Secretaries

Place: Mumbai
Date: 17 April 2017

B. Narasimhan
Partner
FCS No. 1303 / COP No. 10440

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HDFC SECURITIES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of HDFC SECURITIES LIMITED (the "Company"), which comprise the Balance Sheet as at 31st March, 2017, 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 prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting 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.

Auditors' Responsibility

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

In conducting 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 of the financial statements 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 believe that the audit evidence obtained by us 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 view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report to the extent applicable 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 relevant books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act.

- e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls over financial reporting.
 - 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, as amended, 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;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at the year end.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - iv. The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November 2016 to 30th December 2016; and such disclosures are in accordance with the books of accounts maintained by the Company.
2. As required by the Companies (Auditor’s Report) Order, 2016 (“the Order”) issued by the Central Government in terms of Section 143(11) of the Act, we give in “Annexure B” a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm’s Registration No: 117366W / W-100018)

G. K. Subramaniam
Partner
(Membership No.109839)

Place : Mumbai
Date : 17 April, 2017

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

We have audited the internal financial controls over financial reporting of HDFC Securities Limited ("the Company") as of March 31, 2017 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. 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 Companies Act, 2013.

Auditors' 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, 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.

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, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, 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.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No: 117366W / W-100018)

G. K. Subramaniam
Partner
(Membership No.109839)

Place : Mumbai
Date : 17 April, 2017

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i) In respect of the Company's fixed assets:
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deed, comprising of the immovable properties being office premises, is held in the name of the Company as at the balance sheet date.
- ii) The Company does not have any inventory and hence reporting under clause (ii) of the CARO 2016 is not applicable.
- iii) In our opinion and 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 Companies Act, 2013.
- iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees and security, as applicable.
- v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit during the year. Therefore reporting under clause (v) of the CARO 2016 is not applicable.
- vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.
- vii) In our opinion and according to the information and explanations given to us in respect of statutory dues:
 - i) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Duties of Customs, Duties of Excise, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - ii) There were no undisputed amounts payable in respect of these Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duties of Customs, Duties of Excise, Value Added Tax, Cess and other material statutory dues, as applicable, in arrears as at 31st March, 2017 for a period of more than six months from the date they became payable.
 - iii) Details of dues of Income-tax and Service Tax which have not been deposited as on 31st March 2017 on account of dispute is given below:

| Statute | Nature of dues | Forum where dispute is pending | Period to which the amount relates | Amount involved (Rs. in lacs) |
|----------------------|-----------------------|---------------------------------------|---|--|
| Income Tax Act, 1961 | Income Tax | Assessing Officer | Assessment Year 2007-08 | 6 |
| Income Tax Act, 1961 | Income Tax | Assessing Officer | Assessment Year 2008-09 | 3 |

| | | | | |
|----------------------|-------------|--|--|----|
| Income Tax Act, 1961 | Income Tax | Income Tax Appellate Tribunal | Assessment Year 2011-12 | 93 |
| Income Tax Act, 1961 | Income Tax | Commissioner of Income Tax (Appeals) | Assessment Year 2014-15 | 65 |
| Finance Act, 1994 | Service Tax | Commissioner of Central Excise (Appeals) | Financial Years 2004-05 and 2005-06 | 4 |
| Finance Act, 1994 | Service Tax | Commissioner of Central Excise | Financial Years 2005-06 to 2008-09 | 22 |

There were no dues of Sales Tax, Duties of Customs, Duties of Excise and Value Added Tax which have not been deposited as at 31st March, 2017 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 and government. The Company has not issued any debentures.
- ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.
- x) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi) In our opinion and according to the information and explanation given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions Section 197 read with Schedule V to the Companies Act, 2013.
- xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.
- xv) According to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with directors or persons connected with him and therefore provisions of paragraph 3(xv) of the Order are not applicable to the Company.
- xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No: 117366W / W-100018)

Place : Mumbai
Date : 17 April, 2017

G. K. Subramaniam
Partner
(Membership No.109839)

Balance Sheet as at 31 March 2017

(Rs. in Lacs)

| Particulars | | Note No. | As at 31 March 2017 | As at 31 March 2016 |
|----------------------------------|--|-----------|------------------------|------------------------|
| I. EQUITY AND LIABILITIES | | | | |
| 1 Shareholders' funds | | | | |
| (a) | Share capital | 3 | 1,548 | 1,548 |
| (b) | Reserves and surplus | 4 | 79,193 | 65,056 |
| | | | <u>80,741</u> | <u>66,604</u> |
| 2 Non-current liabilities | | | | |
| (a) | Other long term liabilities | 5 | 325 | 354 |
| (b) | Long-term provisions | 6 | 288 | 169 |
| | | | <u>613</u> | <u>523</u> |
| 3 Current liabilities | | | | |
| (a) | Trade payables | | | |
| (i) | total outstanding dues of micro enterprises and small enterprises | 7 | 2 | 2 |
| (ii) | total outstanding dues of creditors other than micro enterprises and small enterprises | 7 | 9,586 | 4,103 |
| (b) | Other current liabilities | 8 | 46,497 | 33,818 |
| (c) | Short-term provisions | 9 | 584 | 402 |
| | | | <u>56,669</u> | <u>38,325</u> |
| | TOTAL | | <u>138,023</u> | <u>105,452</u> |
| II. ASSETS | | | | |
| 1 Non-current assets | | | | |
| (a) | Fixed assets | | | |
| (i) | Tangible Assets | 10 | 4,916 | 4,772 |
| (ii) | Intangible Assets | 10 | 784 | 601 |
| (iii) | Capital Work-in-Progress | | 64 | 155 |
| (iv) | Intangible assets under development | | 324 | 287 |
| | | | <u>6,088</u> | <u>5,815</u> |
| (b) | Non-current investments | 11 | 1,084 | 4,059 |
| (c) | Deferred tax assets (Net) | | 127 | 13 |
| (d) | Long-term loans and advances | 12 | 1,442 | 2,216 |
| (e) | Other non-current assets | 13 | 4,042 | 14,008 |
| | | | <u>12,783</u> | <u>26,111</u> |
| 2 Current assets | | | | |
| (a) | Current investments | 14 | 29,777 | 10,920 |
| (b) | Trade receivables | 15 | 44 | 32 |
| (c) | Cash and cash equivalent | 16 | 58,603 | 37,936 |
| (d) | Short-term loans and advances | 17 | 35,775 | 30,068 |
| (e) | Other current assets | 18 | 1,041 | 385 |
| | | | <u>125,240</u> | <u>79,341</u> |
| | TOTAL | | <u>138,023</u> | <u>105,452</u> |

The accompanying notes form an integral part of this financial statements (1 to 35)

In terms of our report attached

For and on behalf of the Board of Directors

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants

DHIRAJ RELI
Managing Director

BHARAT SHAH
Chairman

G. K. SUBRAMANIAM
Partner

C. V. GANESH
Chief Financial Officer

N.E. VENKITAKRISHNAN
Company Secretary

ASHISH RATHI
Whole Time Director

Place : Mumbai

Date : 17th April, 2017

Statement of Profit and Loss for the year ended 31 March, 2017

| | | (Rs. in Lacs) | |
|---|----------|-----------------------------|-----------------------------|
| Particulars | Note No. | Year ended 31 March 2017 | Year ended 31 March 2016 |
| I. Revenue from operations | 19 | 53,965 | 39,400 |
| II. Other income | 20 | 1,355 | 760 |
| III. Total Revenue (I + II) | | 55,320 | 40,160 |
| IV. Expenses: | | | |
| Employee benefits expense | 21 | 12,217 | 10,550 |
| Finance costs | 22 | 0 | 3 |
| Depreciation and amortisation expense | 10 | 1,444 | 1,230 |
| Other expenses | 23 | 8,714 | 8,188 |
| Total expenses | | 22,375 | 19,971 |
| V. Profit before tax (III - IV) | | 32,945 | 20,189 |
| VI. Tax expense: | | | |
| (1) Current tax expense for current year | | 11,350 | 6,900 |
| (2) Short / (Excess) provision for tax relating to prior years | | 119 | 13 |
| (3) Deferred tax | | (114) | (58) |
| | | 11,355 | 6,855 |
| VII. Profit for the year (V - VI) | | 21,590 | 13,334 |
| VIII. Earnings per equity share: (Face Value - Rs 10 per share) | | | |
| Basic and diluted (Rs. per share) | | 139.45 | 86.12 |

The accompanying notes form an integral part of this financial statements (1 to 35)

In terms of our report attached

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants

G. K. SUBRAMANIAM
Partner

Place : Mumbai
Date : 17th April, 2017

For and on behalf of the Board of Directors

DHIRAJ RELLI
Managing Director

C. V. GANESH
Chief Financial Officer

BHARAT SHAH
Chairman

N.E. VENKITAKRISHNAN
Company Secretary

ASHISH RATHI
Whole Time Director

Cash Flow Statement for the year ended 31 March, 2017

(Rs. in Lacs)

| Particulars | Year ended 31 March 2017 | Year ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| (A) <u>Cash flows from Operating activities :</u> | | |
| Net Profit before taxation | 32,945 | 20,189 |
| <u>Adjustments for :</u> | | |
| Interest Paid | - | 3 |
| Interest on fixed deposits | (3,785) | (3,249) |
| Interest on non current investments | (8) | (8) |
| Dividend from current investments | (127) | (139) |
| Dividend from non current investments | (8) | (11) |
| Bad Debts Written Off | - | 6 |
| (Profit) / Loss on Sale of Fixed Assets | 1 | 1 |
| Net gain on sale of Investments | (1,033) | (6) |
| Provision for Doubtful Debts | 38 | 5 |
| Provision for diminution in value of investments | - | 1 |
| Liabilities written back | - | (167) |
| Provision for Interest on Service Tax | - | (143) |
| Depreciation and Amortisation | 1,444 | 1,230 |
| Provision for Employee benefits | 159 | 111 |
| Operating profit before working capital changes | 29,626 | 17,823 |
| <u>Adjustments for changes in :</u> | | |
| Trade Receivables | (50) | 3 |
| Loans and advances | (5,194) | (5,952) |
| Fixed deposits pledged with Banks under lien against guarantee / margins | 11,479 | 393 |
| Trade and other payables | 18,167 | 5,493 |
| Cash generated from Operations | 54,028 | 17,760 |
| Interest received | 3,395 | 3,214 |
| Direct taxes paid (net of refunds) | (11,299) | (7,221) |
| Net Cash generated from Operating activities | 46,124 | 13,753 |
| (B) <u>Cash flows from Investing activities :</u> | | |
| Purchase of Fixed Assets | (1,823) | (1,513) |
| Proceeds from sale of Fixed Assets | 36 | 46 |
| Fixed deposits with original maturity of more than 3 months | (16,125) | (2,200) |
| Purchase of mutual funds | (49,087) | (31,490) |
| Sale of mutual funds | 34,238 | 24,875 |
| Income from current investments | 127 | 139 |
| Interest on bonds | 8 | 8 |
| Dividend received | 8 | 11 |
| Net Cash used in Investing activities | (32,618) | (10,124) |

Cash Flow Statement for the year ended 31 March, 2017
(Rs. in Lacs)

| Particulars | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|-----------------------------|-----------------------------|
| (C) Cash flows from Financing activities : | | |
| Dividend Paid (including dividend tax) | (7,454) | (7,454) |
| Interest paid others* | 0 | (3) |
| Net Cash generated from Financing activities | (7,454) | (7,457) |
| Net increase in cash and cash equivalents | 6,052 | (3,828) |
| Cash and cash equivalents at the beginning of the year | 12,935 | 16,763 |
| Cash and cash equivalents at the end of the year | <u>18,987</u> | <u>12,935</u> |
| Reconciliation | | |
| Cash and cash equivalents at the end of the year | 18,987 | 12,935 |
| Add: Fixed deposits with original maturity in excess of three months | 18,226 | 2,200 |
| Restricted Fixed deposits with original maturity in excess of three months | 21,374 | 22,788 |
| Earmarked balance | 16 | 13 |
| Cash and bank balances at the end of the year (Refer Note 16) | 58,603 | 37,936 |
| Add: Fixed deposits pledged with Banks against guarantees / margins (Refer Note 13) | 4,042 | 14,008 |
| Cash and Bank Balances | 62,645 | 51,944 |
| * less than Rs. 50,000/- | | |

The accompanying notes form an integral part of this financial statements (1 to 35)

In terms of our report attached

For and on behalf of the Board of Directors

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants

DHIRAJ RELI
Managing Director

BHARAT SHAH
Chairman

G. K. SUBRAMANIAM
Partner

C. V. GANESH
Chief Financial Officer

N.E. VENKITAKRISHNAN
Company Secretary

ASHISH RATHI
Whole Time Director

Place : Mumbai

Date : 17th April, 2017

Notes forming part of the Financial Statements

Note 1: Corporate Information

HDFC Securities Limited (the “Company”) is engaged in a single line of business as a brokerage. The Company is an unlisted public limited company that is a majority owned subsidiary of HDFC Bank Limited (the “Parent”). The Company is registered as a “Stock Broker” with the Securities and Exchange Board of India (“SEBI”) and as a “Corporate Agent” with the Insurance Regulatory and Development Authority (“IRDA”). As a brokerage, its activities comprise several classes of services including agency transactions, subscription based services and distribution of financial products.

Note 2: Significant Accounting Policies

2.1. Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India (“Indian GAAP”) under the historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 and the relevant provisions of the Companies Act, 2013 (“the 2013 Act”). The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

Assets and liabilities have been classified as Current or Non-Current on the basis of the Company’s normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013.

2.2. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and differences between actual results and estimates are recognised in the periods in which the results are known/materialise.

2.3. Revenue recognition

Income from services rendered as a brokerage is recognised upon rendering of the services.

Commissions are recorded on a trade date basis as the securities transaction occur.

Fees for subscription based services are received periodically but are recognised as earned on a pro-rata basis over the term of the contract.

Commissions from distribution of financial products are recognised upon allotment of the securities to the applicant or as the case may be, issue of the insurance policy to the applicant.

Commissions and fees recognised as aforesaid are exclusive of service tax, securities transaction tax, stamp duties and other levies by SEBI and stock exchanges.

Interest is earned on delayed payments from clients and amounts funded to them as well as term deposits with banks.

Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.

Dividend income is recognised when the right to receive the dividend is established.

2.4. Tangible assets

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price and expenses directly attributable to bringing the asset to its working condition for the intended use. Subsequent expenditure related to an item of fixed asset are added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements.

Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within “Other Income” or “Other Expenses”, as the case maybe, in the Statement of Profit and Loss in the year of disposal or retirement.

Capital work-in-progress are fixed assets which are not yet ready for their intended use. Such assets are carried at cost comprising direct cost and related incidental expenses.

Depreciation is provided on a pro-rata basis to fully depreciate the assets using the straight-line method over the estimated useful lives of the assets.

For the following categories of assets, Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

| Asset | Estimated useful life |
|------------------------|--|
| Computer Hardware | 3 years |
| Office Equipment | 5 years |
| Furniture and fixtures | 10 years |
| Leasehold Improvements | Over the remaining period of the lease |
| Electricals | 10 years |
| Office premises | 60 years |

For the following categories of assets, the company has assessed useful life based on technical advice, taking into account the nature of the asset, the estimates usage of asset, the operating condition of asset, anticipated technological changes and utility in the business, as below :

| Asset | Estimated useful life |
|-------------------|------------------------------|
| Vehicles | 4 years |
| Network & Servers | 4 years |

All tangible assets costing less than Rs. 5,000 individually are fully depreciated in the year of purchase.

Useful lives are reviewed at each financial year end and adjusted if appropriate.

2.5. Intangible assets

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.

Cost of an intangible asset includes purchase price, non-refundable taxes and duties and any other directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset is charged to the Statement of Profit and Loss as an expense unless it is probable that such expenditure will enable the intangible asset increase the future benefits from the existing asset beyond its previously assessed standard of performance and such expenditure can be measured and attributed to the intangible asset reliably, in which case, such expenditure is capitalised.

Expenditure on software development eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. A rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use is considered by the management. The amortisation period and the amortisation method are reviewed at least at each reporting date. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss in the year of disposal.

The estimated useful lives of intangible assets used for amortisation are:

| Asset | Estimated useful life |
|---------------------------------------|------------------------------|
| Computer software licenses | 5 years |
| Electronic trading platform (Website) | 5 years |
| Bombay Stock Exchange Card | 10 years |

All intangible assets costing less than Rs. 5,000 individually are fully amortised in the year of acquisition.

2.6. Impairment

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

2.7. Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.8. Employee benefits

i) Short term

Short term employee benefits include salaries and performance incentives. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or informal obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Statement of Profit and Loss at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

ii) Long term

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the National pension scheme, employees' provident fund, family pension fund and superannuation fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

Defined-benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the balance sheet date by an independent actuary in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount

rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. The fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceeds the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of reductions in future contributions to the plan.

Actuarial losses or gains are recognised in the Statement of Profit and Loss in the year in which they arise.

iii) Other employee benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be availed in twelve months immediately following the year in which the employee has rendered service are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits.

Where there are restrictions on availment of such accrued benefit or where the availment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

iv) Share-based payment transactions

Equity settled stock options granted under the Company's Employee Stock Option Schemes are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option being excess of fair value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion.

2.9. Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the

leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's Balance Sheet. Lease expenses on such operating leases are recognised in the Statement of Profit and Loss on a straight line basis over the lease term. Initial direct costs are recognised as an expense in the Statement of Profit and Loss in the period in which they are incurred.

2.10. Current and deferred tax

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period.

Current tax is measured at the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised for all the timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Current and deferred taxes relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.

2.11. Provisions and contingent liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic

benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

2.12. Cash and cash equivalents

In the Cash Flow Statement, cash and cash equivalents include cash in hand, demand deposits and short term with banks with original maturities of three months or less and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.13. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the year. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares (other than the conversion of potential equity shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares. Potential equity shares are deemed dilutive only if their conversion into equity shares would decrease the net per share from continuing ordinary operations. Potential equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares).

Notes forming part of the Financial Statements

Note 3: Share Capital

The Company has issued equity shares, the details in respect of which are given below:

| Particulars | (Rs. in Lacs) | | | |
|--|-------------------------|--------------|-------------------------|--------------|
| | As at 31 March, 2017 | | As at 31 March, 2016 | |
| | Number | Amount | Number | Amount |
| Authorised | | | | |
| Equity Shares of Rs. 10 each | 20,000,000 | 2,000 | 20,000,000 | 2,000 |
| Issued, Subscribed & Paid-up | | | | |
| Equity Shares of Rs. 10 each fully paid up | 15,483,125 | 1,548 | 15,483,125 | 1,548 |
| Total | 15,483,125 | 1,548 | 15,483,125 | 1,548 |

(i) **Reconciliation of the number of shares outstanding at the beginning and end of the year** (Rs. in Lacs)

| Particulars | As at 31 March, 2017 | | As at 31 March, 2016 | |
|---|---|--------------|-------------------------|--------------|
| | Number | Amount | Number | Amount |
| | Shares outstanding at the beginning of the period | 15,483,125 | 1,548 | 15,483,125 |
| Shares issued under ESOP during the period | - | - | - | - |
| Shares bought back during the period | - | - | - | - |
| Shares outstanding at the end of the period | 15,483,125 | 1,548 | 15,483,125 | 1,548 |

(ii) **Rights, preferences and restriction attached to equity shares**

The Company has one class of equity shares having a par value of Rs 10 per share. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are entitled to receive the remaining assets of the Company after distribution of all preferential amounts in proportion to their shareholding.

(iii) **Shares in the Company held by the holding company** (Rs. in Lacs)

| Particulars | As at 31 March 2017 | | As at 31 March 2016 | |
|--------------|---|--------------|------------------------|--------------|
| | Number | Amount | Number | Amount |
| | Equity Shares held by HDFC Bank Ltd., the Holding Company | 15,160,295 | 1,516 | 15,160,295 |
| Total | 15,160,295 | 1,516 | 15,160,295 | 1,516 |

(iv) **Shares in the Company held by shareholders holding more than 5% of the aggregate equity shares in the Company**

| Name of Shareholder | As at 31 March, 2017 | | As at 31 March, 2016 | |
|---------------------|-------------------------|--------------|-------------------------|--------------|
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| | HDFC Bank Limited | 15,160,295 | 97.91% | 15,160,295 |

(v) **Shares reserved for issue under options**

For details of shares reserved for issue under the Employee stock option plan, please refer Note no. 32 of Notes forming part of the Financial Statements

Notes forming part of the Financial Statements

Note 4: Reserves and Surplus

(Rs. in Lacs)

| Particulars | As at | As at |
|--|----------------|----------------|
| | 31 March, 2017 | 31 March, 2016 |
| a. Securities Premium Account | | |
| Balance as at the beginning of the year | 3,319 | 3,319 |
| Additions during the year | - | - |
| Balance as at the end of the year | 3,319 | 3,319 |
| b. Surplus in the Statement of Profit and Loss | | |
| Balance as at the beginning of the year | 59,237 | 49,630 |
| Add: Net Profit for the year | 21,590 | 13,334 |
| Less: Appropriations (Refer Note 34) | | |
| Interim Dividends * | (6,193) | (3,097) |
| Dividend distribution tax on interim dividend on equity shares | (1,260) | (630) |
| Balance as at the end of the year | 73,374 | 59,237 |
| c. General Reserve Account | | |
| Balance as at the beginning of the year | 2,500 | 2,500 |
| Additions during the year | - | - |
| Balance as at the end of the year | 2,500 | 2,500 |
| Total | 79,193 | 65,056 |

* The Company has declared the interim dividend of Rs. 40 per share.
(Interim dividend during previous year was Rs 20 per share)

Note 5: Other Long Term Liabilities

| | | |
|--------------------------------------|------------|------------|
| Operating lease obligation | 249 | 278 |
| Trade and security deposits received | 76 | 76 |
| Total | 325 | 354 |

Note 6: Long-Term Provisions

Provision for employee benefits

| | | |
|------------------------|------------|------------|
| Provision for gratuity | 288 | 169 |
| Total | 288 | 169 |

Note 7: Trade Payables

| | | |
|---|--------------|--------------|
| Dues to Micro and Small Enterprises [See footnote] | 2 | 2 |
| | 2 | 2 |
| Dues to entities other than Micro and Small Enterprises | 45 | 29 |
| Accrued payroll & employee benefits | 3,425 | 2,820 |
| Accrued Expenses | 6,116 | 1,254 |
| Total | 9,586 | 4,103 |
| | 9,588 | 4,105 |

Footnote:

(i) The amount due to Micro and Small Enterprises as defined in the “The Micro, Small and Medium Enterprises Development Act, 2006” has been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

(ii) The disclosures relating to Micro and Small Enterprises are as under:

| Particulars | (Rs. in Lacs) | |
|---|----------------------|----------------------|
| | As at 31 March, 2017 | As at 31 March, 2016 |
| (a) The principal amount remaining unpaid to any supplier as at the end of the accounting year | - | - |
| (b) The interest due thereon remaining unpaid to any supplier as at the end of the accounting year | 2 | 2 |
| (c) The amount of interest paid, along with the amount of payment made to the supplier beyond the appointed day during the year | - | - |
| (d) The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act | - | 1 |
| (e) The amount of interest accrued during the year and remaining unpaid at the end of the accounting year | - | 1 |
| (f) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | - | - |

Notes forming part of the Financial Statements

Note 8: Other Current Liabilities

(Rs. in Lacs)

| Particulars | As at | As at |
|--|----------------|----------------|
| | 31 March, 2017 | 31 March, 2016 |
| (a) Income received in advance for services to be rendered | 975 | 887 |
| (b) Unpaid dividends [see footnote] | 16 | 13 |
| (c) Other payables | | |
| Payable to Exchanges | 1 | 2 |
| Payable to Clients | 45,100 | 32,566 |
| Statutory Dues including Tax deducted at Source and Provident Fund | 255 | 180 |
| Operating lease obligation | 31 | 17 |
| Liabilities for capital goods | 119 | 153 |
| Total | 46,497 | 33,818 |

Footnote:

There are no amounts due for payment to Investor Education and Protection Fund as at the year end.

Note 9: Short-Term Provisions

(Rs.in lacs)

| Particulars | As at | As at |
|--|----------------|----------------|
| | 31 March, 2017 | 31 March, 2016 |
| (a) Provision for employee benefits | | |
| Compensated absences | 290 | 250 |
| (b) Others | | |
| Provision For Contingencies | 49 | 49 |
| Provision For Taxation [Net of advance tax Rs. 20,671 lacs (March 31, 2016 Rs. 5,440 lacs)] | 244 | 102 |
| Provision for Fringe Benefit Tax (Net) | 1 | 1 |
| Total | 584 | 402 |

Footnote:

Provision for contingencies

| | Legal and statutory matters As at | Legal and statutory matters As at |
|---------------------|---|---|
| | 31 March 2017 | 31 March 2016 |
| Opening Balance | 49 | 49 |
| Addition/(Deletion) | - | - |
| Closing Balance | 49 | 49 |

The above matters are under litigation / negotiation and the timing of the cash flows cannot be currently determined.

Note 10: Fixed Assets (Net)

| | | Tangible Assets | | | | | | | | | | Intangible Assets (Other than Internally generated) | | | | TOTAL |
|--|--|--|-----------------|-------------|----------------------|----------|-------------------|---------------------------------------|-----------------------|----------------------------|-------------------|--|-------------------------|--------|--|-------|
| | | Leasehold Imp. in Buildings on op. lease | Office Premises | Electricals | Furniture & Fixtures | Vehicles | Office Equipments | Computer Hardware, Networks & Servers | Total Tangible Assets | Bombay Stock Exchange Card | Computer software | Electronic trading platform (Website) | Total Intangible Assets | | | |
| Fixed Assets for current period | As at 01-04-2016 | 1,523 | 2,726 | 36 | 222 | 376 | 926 | 4,351 | 10,160 | 288 | 2,678 | 164 | 3,130 | 13,290 | | |
| | Additions during the period | 164 | - | - | 17 | 155 | 63 | 904 | 1,303 | - | 504 | 0 | 504 | 1,807 | | |
| | Deletions/ Adjustments during the period | - | - | - | 12 | 125 | 52 | 426 | 615 | - | 0 | 0 | 0 | 615 | | |
| Gross Block | As at 31-03-2017 | 1,687 | 2,726 | 36 | 227 | 406 | 937 | 4,829 | 10,848 | 288 | 3,182 | 164 | 3,634 | 14,483 | | |
| | As at 01-04-2016 | 797 | 157 | 8 | 144 | 165 | 724 | 3,395 | 5,388 | 288 | 2,090 | 151 | 2,529 | 7,917 | | |
| | Charge for the period | 166 | 45 | 4 | 21 | 96 | 73 | 717 | 1,122 | - | 314 | 7 | 321 | 1,444 | | |
| Accumulated Depreciation | Deletions during the period | - | - | - | 9 | 93 | 51 | 425 | 578 | - | 0 | 0 | 0 | 578 | | |
| | As at 31-03-2017 | 963 | 202 | 12 | 156 | 168 | 746 | 3,687 | 5,934 | 288 | 2,404 | 158 | 2,850 | 8,785 | | |
| | As at 01-04-2016 | 726 | 2,568 | 28 | 78 | 211 | 201 | 957 | 4,772 | - | 588 | 13 | 601 | 5,373 | | |
| Net Block | As at 31-03-2017 | 724 | 2,524 | 24 | 71 | 238 | 191 | 1,144 | 4,916 | - | 778 | 6 | 784 | 5,700 | | |

| | | Tangible Assets | | | | | | | | | | Intangible Assets (Other than Internally generated) | | | | TOTAL |
|---------------------------------------|--|--|-----------------|-------------|----------------------|----------|-------------------|---------------------------------------|-----------------------|----------------------------|-------------------|--|-------------------------|--------|--|-------|
| | | Leasehold Imp. in Buildings on op. lease | Office Premises | Electricals | Furniture & Fixtures | Vehicles | Office Equipments | Computer Hardware, Networks & Servers | Total Tangible Assets | Bombay Stock Exchange Card | Computer software | Electronic trading platform (Website) | Total Intangible Assets | | | |
| Fixed Assets for previous year | As at 01-04-2015 | 979 | 2,726 | 36 | 190 | 371 | 744 | 4,296 | 9,342 | 288 | 2,406 | 164 | 2,858 | 12,200 | | |
| | Additions during the period | 551 | - | - | 36 | 144 | 199 | 364 | 1,294 | - | 272 | - | 272 | 1,566 | | |
| | Deletions/ Adjustments during the period | 7 | - | - | 4 | 139 | 17 | 309 | 476 | - | - | - | - | 476 | | |
| Gross Block | As at 31-3-2016 | 1,523 | 2,726 | 36 | 222 | 376 | 926 | 4,351 | 10,160 | 288 | 2,678 | 164 | 3,130 | 13,290 | | |
| | As at 01-04-2015 | 673 | 112 | 5 | 118 | 169 | 654 | 3,115 | 4,844 | 288 | 1,859 | 125 | 2,272 | 7,117 | | |
| | Charge for the period | 131 | 45 | 3 | 29 | 92 | 85 | 588 | 973 | - | 231 | 26 | 257 | 1,230 | | |
| Accumulated Depreciation | On deletions during the period | 7 | - | - | 3 | 96 | 15 | 308 | 429 | - | - | - | - | 429 | | |
| | As at 31-03-2016 | 797 | 157 | 8 | 144 | 165 | 724 | 3,395 | 5,388 | 288 | 2,090 | 151 | 2,529 | 7,917 | | |
| | As at 01-04-2015 | 306 | 2,614 | 31 | 72 | 203 | 90 | 1,181 | 4,498 | - | 547 | 38 | 585 | 5,083 | | |
| Net Block | As at 31-03-2016 | 726 | 2,568 | 28 | 78 | 211 | 201 | 957 | 4,772 | - | 588 | 13 | 601 | 5,373 | | |

Notes forming part of the Financial Statements

(Rs. in Lacs)

| Particulars | As at 31 March, 2017 | As at 31 March, 2016 |
|---|-------------------------|-------------------------|
| Note 11: Non-Current Investments | | |
| Non Trade, Long term Investments (valued at cost) face value Rs. 10, unless otherwise stated | | |
| Unquoted | | |
| (a) Investments in Mutual Funds | | |
| Mutual Funds - Lien marked | | |
| 53,716.707 units of Reliance Mutual Fund Liquid Fund-Treasury Plan- Growth Open | - | 1,500 |
| 29,402.116 units of Reliance Mutual Fund Liquidity Fund-Growth Plan-Growth Open Ended | - | 500 |
| Mutual Funds - others | | |
| 5000000 units of - HDFC FMP 1106D MAY 2015(1) - SERIES 33-DIRECT GROW | 500 | 500 |
| 7753706 units of - UTI Fixed Term Income Fund Series XVII-X | - | 775 |
| 2000000 units of - Kotak FMP Series 161 Plan - Growth Option - Direct | - | 200 |
| 5000000 units of - ICICI PRUD. FMP SERIES 77-1130 DAYS PLAN D Growth Plan | 500 | 500 |
| Quoted | | |
| (a) Investments in debentures and bonds | | |
| 840 units of State Bank of India - Series 2 Lower Tier II Bonds, of Rs. 10,000/- each fully paid | 84 | 84 |
| (b) Investment in Equity instruments | | |
| 65,000 Equity shares of Bombay Stock Exchange Limited, of Rs 2/- each fully paid * | 0 | 0 |
| Total | <u>1,084</u> | <u>4,059</u> |
| Footnotes | | |
| 1. Aggregate amount of quoted investments | 84 | 84 |
| 2. Aggregate amount of quoted investments (Market value net of accrued interest) | 727 | 92 |
| 3. Aggregate amount of unquoted investments | 1,000 | 3,975 |
| * less than Rs. 50,000/- | | |
| Note 12: Long-Term loans and advances | | |
| a. Capital Advances | | |
| Unsecured, considered good | 209 | 173 |
| b. Security Deposits | | |
| Unsecured, considered good | 306 | 276 |
| Unsecured, considered doubtful | 13 | 13 |
| Less: Provision for doubtful deposits | (13) | (13) |
| | <u>306</u> | <u>276</u> |
| c. Other loans and advances | | |
| Unsecured, considered good | | |
| Prepaid Expenses | 89 | 101 |
| Deposit with Stock Exchanges | 211 | 1,011 |
| Margin monies with clearing member | 13 | 13 |
| Advance Payment of Income Tax | 614 | 642 |
| [Net of provisions for taxation Rs. 27,519 lacs (March 31, 2016 Rs. 31,421 lacs)] | | |
| | <u>927</u> | <u>1,767</u> |
| Total | <u>1,442</u> | <u>2,216</u> |

| Note 13: Other non current assets | (Rs. in Lacs) | |
|--|-------------------------|-------------------------|
| | As at 31 March, 2017 | As at 31 March, 2016 |
| Balances with Banks in deposit accounts | | |
| With balance maturity of more than 12 months as at the balance sheet date | | |
| Lien marked deposits | 3,943 | 14,008 |
| Others | 99 | - |
| Total | <u>4,042</u> | <u>14,008</u> |

Notes forming part of the Financial Statements

| Particulars | (Rs. in Lacs) | | | |
|---|-------------------------|-------------------------|-----------------------------|-----------------------|
| | As at 31 March, 2017 | As at 31 March, 2016 | | |
| Note 14: Current investments | | | | |
| Current Investment, face value Rs.10 unless otherwise stated (Unquoted - at lower of cost or market value) Investments in Mutual Funds | 28,802 | 7,720 | | |
| Current Maturity of Long Term Investment, face value Rs.10 unless otherwise stated (at cost unless otherwise stated) | | | | |
| Investment in Mutual Funds | 975 | 3,200 | | |
| Total | 29,777 | 10,920 | | |
| Aggregate book value of unquoted investments | 29,777 | 10,920 | | |
| Aggregate provision made for diminution in value of investments | - | 1 | | |
| Details of Current Investments | | | | |
| | No. of Units | | Amount (Rs. in Lacs) | |
| | As at | As at | As at | As at |
| | 31 March, 2017 | 31 March, 2016 | 31 March, 2017 | 31 March, 2016 |
| Investments in Mutual Funds | | | | |
| - BNP Paribas Overnight Fund - Direct-Daily Dividend | 60,276.120 | - | 1,500 | - |
| - DSP BlackRock Ultra Short Term Fund | 16,845,509.829 | - | 2,000 | - |
| - Kotak Banking and PSU Debt Fund | 1,175,170.987 | - | 400 | - |
| - Reliance Liquid Fund-Treasury Plan-Direct Growth Plan | 53,716.707 | 42,037.007 | 1,500 | 1,200 |
| - Reliance Arbitrage Advantage Fund -Direct- Monthly Dividend Plan | 2,600,547.944 | 2,470,199.629 | 275 | 261 |
| - Reliance Banking and PSU Debt Fund - Direct Growth Plan | 25,495,706.981 | 19,731,967.112 | 2,656 | 2,006 |
| - Reliance Liquid Fund Direct Growth Plan Growth Opt | 42,037.007 | - | 1,200 | - |
| - Reliance Liquidity Fund - Growth | 29,402.116 | - | 500 | - |
| - Reliance Income Fund-Direct Growth Plan - Bonus Option Plan | 4,497,586.662 | 4,497,586.662 | 500 | 500 |
| - ICICI Prud. Banking and PSU Debt Fund -Direct Growth Plan | 4,570,328.362 | 3,176,398.092 | 750 | 500 |
| - ICICI Prudential Liquid -Direct Plan - Growth Plan | 229,607.241 | 229,607.241 | 400 | 400 |
| - ICICI Pru Ultra Short Term Fund - Direct Growth | 3,189,467.104 | - | 500 | - |
| - HDFC Arbitrage Fund -Direct- Monthly Dividend Plan | 3,032,892.241 | 2,872,940.945 | 321 | 304 |
| - HDFC Balanced Fund-Direct - Dividend Plan | 362,864.517 | 362,864.517 | 100 | 99 |
| - HDFC Banking and PSU Debt Fund - Direct - Growth Plan | 8,386,143.954 | 4,261,412.062 | 1,000 | 500 |
| - HDFC Medium Term Opp. Fund-Direct Plan-Growth | 17,223,166.307 | - | 3,000 | - |
| - HDFC Cash Mangement Saving Fund Direct Growth | 177,042.677 | - | 6,000 | - |
| - HDFC Charity For Cancer Cure Direct - Arbitrage | 1,000,000.000 | - | 100 | - |
| - HDFC Liquid Fund Direct Growth | 171,594.739 | - | 5,500 | - |
| - Religare Invesco Liquid Fund - Dir - Growth Plan | - | 45,690.538 | - | 950 |
| - Tata Balance Fund-Direct - Dividend Plan | 157,823.021 | 157,823.021 | 100 | 100 |
| - UTI Banking & PSU DEBT FUND- Direct Growth Plan | 4,098,192.697 | - | 500 | - |
| - UTI - Money Market Fund -Institutional Plan - Direct - Growth Plan | - | 53,142.741 | - | 900 |
| Total | | | 28,802 | 7,720 |
| Details of Current Maturity of Long Term Investment | | | | |
| Investments in Mutual Funds | | | | |
| - HDFC FMP 371 D July 2013 (1) Series 26 - Direct - Growth | - | 5,000,000 | - | 500 |
| - HDFC FMP 370 D July 2013 (3) Series 26 - Direct - Growth | - | 5,000,000 | - | 500 |
| - HDFC FMP 371 D January 2014 (1) Series 29 - Direct - Growth | - | 3,000,000 | - | 300 |
| - Kotak FMP Series 161- 370 Days Plan - Growth Option - Direct | 2,000,000.000 | - | 200 | - |
| - Reliance Fixed Horizon Fund XXIV Series 3 - Direct - Growth Plan | - | 5,000,000 | - | 500 |
| - Reliance Fixed Horizon Fund XXIV Series 11- Direct - Growth Plan | - | 2,000,000 | - | 200 |
| - Reliance Fixed Horizon Fund XXIV Series 15- Direct - Growth Plan | - | 2,000,000 | - | 200 |
| - UTI Fixed Term Income Fund Series XVII-X (367 Days) | 7,753,705.815 | - | 775 | - |
| - ICICI Prudential FMP Series 70 -366 Days Plan B -Direct - Growth | - | 5,000,000 | - | 500 |
| - ICICI Prudential F MP Series 68 -369 Days Plan K -Direct - Growth | - | 5,000,000 | - | 500 |
| Total | | | 975 | 3,200 |
| Total | | | 29,777 | 10,920 |

Notes forming part of the Financial Statements

(Rs. in Lacs)

| Particulars | As at 31 March, 2017 | As at 31 March, 2016 |
|--|-------------------------|-------------------------|
| Note 15: Trade Receivables | | |
| Trade receivables outstanding for a period exceeding six months from the date they are due for payment | | |
| Unsecured, considered doubtful of recovery | 39 | 1 |
| Less: Provision for doubtful debts | (39) | (1) |
| | <u>-</u> | <u>-</u> |
| Other Trade Receivables | | |
| Unsecured, considered good | 44 | 32 |
| | <u>44</u> | <u>32</u> |
| Total | <u>44</u> | <u>32</u> |

Note 16: Cash and cash equivalents

| | | |
|--|----------------------|----------------------|
| a. Cash on Hand * | - | 0 |
| b. Imprest Cash * | 0 | - |
| c. Balances with Banks | | |
| (i) In current accounts | 18,987 | 12,935 |
| (ii) In deposit accounts | | |
| Term deposits with original maturity of more than 3 months but maturing within 12 months of the balance sheet date | | |
| - Lien marked deposits | 21,374 | 22,788 |
| - Other Deposits maturity less than 3 months | 18,226 | 2,200 |
| (iii) In earmarked accounts | | |
| - Unpaid dividend accounts | 16 | 13 |
| Total | <u>58,603</u> | <u>37,936</u> |

* less than Rs. 50,000/-

Footnotes:

| | | |
|---|--------|--------|
| 1. Of the above, the balances which meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statement is - | 18,987 | 12,935 |
| 2. Term deposits with balance maturity of more than 12 months have been included in Note no. 13 | | |
| Lien Marked | 3,943 | 14,008 |
| 3. Others | 99 | - |

Notes forming part of the Financial Statements
(Rs. in Lacs)

| Particulars | As at 31 March, 2017 | As at 31 March, 2016 |
|---|-------------------------|-------------------------|
| Note 17: Short-term loans and advances | | |
| Loans and advances to other than related parties | | |
| Unsecured, considered good | | |
| Prepaid Expenses | 213 | 239 |
| Security Deposits | 36 | 17 |
| Receivable from Exchanges | 19,820 | 17,939 |
| Receivable from Clients | 15,443 | 11,640 |
| Other Advances recoverable in cash or in kind or for value to be received | 263 | 233 |
| | 35,775 | 30,068 |
| Unsecured, considered doubtful of recovery | | |
| Receivable from clients | 51 | 51 |
| Less: Provision for doubtful loans and advances | (51) | (51) |
| | - | - |
| Total | 35,775 | 30,068 |
| Note 18: Other Current Assets | | |
| Interest accrued on Bank Fixed Deposits | 644 | 254 |
| Interest accrued on State Bank of India Bonds | 8 | 8 |
| Unbilled Revenue | 361 | 111 |
| Service Tax Receivable | 28 | 12 |
| Total | 1,041 | 385 |
| Note 19: Revenue from Operations | | |
| Brokerage Income | 42,107 | 31,158 |
| Fee Income | 6,631 | 3,718 |
| Other Operating income | | |
| - Interest on fixed deposits | 3,785 | 3,249 |
| - Interest on delayed payments from clients | 1,434 | 1,268 |
| - Other interest | 8 | 7 |
| Total | 53,965 | 39,400 |
| Note 20: Other Income | | |
| Interest on non-current investments | 8 | 8 |
| Dividend income on non-current investments | 8 | 11 |
| Dividend income from current investments | 127 | 139 |
| Net gain on sale of current investments | 44 | 6 |
| Net gain on sale of non current investments | 989 | - |
| Rental income from operating leases | 175 | 153 |
| Miscellaneous income | 4 | 443 |
| Total | 1,355 | 760 |

Notes forming part of the Financial Statements

(Rs. in Lacs)

| Particulars | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|------------------------------|------------------------------|
| Note 21: Employee benefits expenses | | |
| (a) Salaries, wages and bonus | 10,864 | 9,536 |
| (b) Contributions to provident and other funds | 691 | 486 |
| (c) Staff training and welfare expenses | 662 | 528 |
| Total | 12,217 | 10,550 |
| Note 22: Finance Costs | | |
| Interest paid - others* | 0 | 3 |
| Total | 0 | 3 |
| * less than Rs. 50,000/- | | |
| Note 23: Other Expenses | | |
| Stamp, registration and trading expenses | 693 | 1,154 |
| Outsourcing and professional fees | 1,191 | 900 |
| Directors sitting fees | 32 | 31 |
| Repairs and Maintenance | | |
| - Buildings | 451 | 408 |
| - Others | 941 | 710 |
| Rent | 1,393 | 1,236 |
| Rates and Taxes | 255 | 32 |
| Membership and subscription | 121 | 105 |
| Advertisement and marketing | 486 | 1,004 |
| Commission | 1 | 1 |
| Electricity | 422 | 328 |
| Auditors' Remuneration (excluding service tax) | | |
| - Audit fees | 23 | 19 |
| - Out of pocket expenses | 1 | 1 |
| Website maintenance expenses | 53 | 78 |
| Printing and stationery | 154 | 172 |
| Insurance | 36 | 41 |
| Travelling and conveyance expenses | 426 | 379 |
| Expenditure on Corporate Social Responsibility | 380 | 74 |
| Postage and communication expenses | 1,412 | 1,345 |
| SEBI turnover fees | 1 | 1 |
| Provision for doubtful debts (net of reversals) | 38 | 5 |
| Bad Debts Written Off | - | 6 |
| Loss on sale of fixed assets (Net) | 1 | 1 |
| Miscellaneous Expenses | 203 | 157 |
| Total | 8,714 | 8,188 |

Notes forming part of the Financial Statements

Note 24: Additional information to the financial statements

24.1. Contingent liabilities

- a) Claims against the Company not acknowledged as debt: For disputed trades – Rs. 43 lacs (previous year – Rs.43 lacs) & Others – Rs. 1 lacs (Previous Year - 1 lacs).
- b) Service tax demands, net of amounts paid for Rs. 26 lacs (Previous Year – Rs. 26 lacs).

24.2. Pending capital commitments

As at 31 March, 2017 the Company has contracts remaining to be executed on capital account and not provided for. The estimated amount of contracts (net of advances) towards fixed assets is Rs. 527 lacs (previous year - Rs 331 lacs).

24.3. a) Expenditure in Foreign Currency

(Rs. in lacs)

| Particulars | FY 2016-17 | FY 2015-16 |
|--------------|------------|------------|
| Others | 15 | 17 |
| Total | 15 | 17 |

b) Earnings in Foreign Currency

(Rs. in lacs)

| Particulars | FY 2016-17 | FY 2015-16 |
|---|------------|------------|
| Commission on sale of Superfund Mutual Fund | NIL | 7 |
| Research Information Services | 2 | 2 |
| Total | 2 | 9 |

Note 25: Employee Benefits

The Company makes contributions towards National Pension Scheme, provident fund and family pension fund which are defined contribution retirement benefit plans for qualifying employees. The provident fund and family pension are administered by office of the Regional Provident Fund Commissioner. The superannuation plan is unfunded.

A sum of Rs. 313 lacs (Previous Year Rs. 271 lacs) has been charged to the Statement of Profit and Loss towards National Pension fund, provident fund, family pension fund and superannuation fund.

The Employee State Insurance Scheme (“ESIC”) is a contributory scheme providing medical, sickness, maternity, and disability benefits to the insured employees under the Employees State Insurance Act, 1948.

The charge to the Statement of Profit and Loss is Rs 59 lacs (Previous Year Rs. 45 lacs), which is classified as a part of “Staff training and welfare expenses”

The Company operates funded post retirement defined benefit plan for gratuity, details of which are as follows:

(i). Reconciliation of Defined Benefit Obligation

(Rs. in lacs)

| Particulars | FY 2016-17 | FY 2015-16 |
|---|------------|------------|
| Opening Defined Benefit Obligation | 481 | 349 |
| Current Service Cost | 92 | 76 |
| Interest Cost | 37 | 28 |
| Actuarial Losses | 187 | 60 |
| Benefits paid | (44) | (32) |
| Closing Defined Benefit Obligation | 753 | 481 |

(ii). Reconciliation of Fair value of Plan Assets

(Rs. in lacs)

| Particulars | FY 2016-17 | FY 2015-16 |
|--|------------|------------|
| Opening Fair value of Plan Assets | 312 | 280 |
| Expected return on Plan Assets | 24 | 22 |
| Contributions | 169 | 45 |
| Benefits paid | (44) | (32) |
| Actuarial Gain / (Loss) | 4 | (3) |
| Closing Fair value of Plan Assets | 465 | 312 |

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

(Rs. in lacs)

| Particulars | FY 2016-17 | FY 2015-16 |
|--|--------------|--------------|
| Present Value of Funded Obligation | 753 | 481 |
| Fair Value of Plan Assets | 465 | 312 |
| Net Liability Recognised in the Balance Sheet | (288) | (169) |

(iv). Expenses recognised in the Statement of Profit and Loss

(Rs. in lacs)

| Particulars | FY 2016-17 | FY 2015-16 |
|---|------------|------------|
| Current Service Cost | 92 | 76 |
| Interest Cost | 37 | 28 |
| Expected return on Plan Assets | (24) | (22) |
| Actuarial Losses / (Gain) - (net) | 183 | 63 |
| Net gratuity expenses recognized in the Statement of Profit and Loss | 288 | 145 |

(v). **Description of Plan Assets ***

| Particulars | FY 2016-17 % Invested | FY 2015-16 % Invested |
|-----------------------|--------------------------|--------------------------|
| Debentures/Bonds | 44 | 31 |
| Equity | 13 | 9 |
| Government Securities | 38 | 54 |
| Other assets | 5 | 6 |
| Grand Total | 100 | 100 |

The Plan Assets are managed by the Gratuity Trust formed by the Company. The management of funds is entrusted with HDFC Standard Life Insurance Company Limited (88% of Plan Assets: previous year 75%) and the Life Insurance Corporation of India ("LIC") (12% of Plan Assets: previous year 25%).

* The investment pattern disclosed above is based on information received from HDFC Standard Life Company Limited and LIC. However LIC's investment pattern as at 31 March 2016 being the latest information available from LIC, has been used.

(vi). **Experience Adjustments** (Rs. in lacs)

| Particulars | FY 2016-17 | FY 2015-16 | FY 2014-15 | FY 2013-14 | FY 2012-13 |
|--|---------------|---------------|---------------|---------------|---------------|
| Defined Benefit Obligation | 753 | 481 | 349 | 265 | 220 |
| Fair value of Plan Assets | 465 | 312 | 280 | 216 | 147 |
| Surplus / (Deficit) | (288) | (169) | (69) | (49) | (73) |
| Experience Adjustments on Plan liabilities (Gain) / Loss | 8 | (20) | 10 | 6 | 6 |
| Experience Adjustments on Plan Assets (Loss) / Gain | 4 | (4) | 9 | (6) | 0* |

* less than Rs. 50,000 /-

(vii). **Summary of Actuarial Assumptions**

The actuarial calculations used to estimate defined benefit commitments and expenses are based on the following assumptions which if changed, would affect the defined benefit commitments, size, funding requirements and expense.

| Particulars | FY 2016-17 | FY 2015-16 |
|-----------------------------------|---|---|
| Discount Rate | 6.80 % | 7.60 % |
| Expected rate of return on Assets | 7.60 % | 7.60 % |
| Salary Escalation Rate | 12.00 % | 9.00 % |
| Mortality | Indian Assured Lives Mortality tables (2006-08) | Indian Assured Lives Mortality tables (2006-08) |

The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(viii). **Actual Return on Plan Assets** (Rs. in lacs)

| Particulars | FY 2016-17 | FY 2015-16 |
|--------------------------------------|------------|------------|
| Expected Return on Plan Assets | 24 | 22 |
| Actuarial gain/(loss) on Plan Assets | 4 | (3) |
| Actual return on Plan Assets | 28 | 19 |

(ix). **Other Details**

The Employer's best estimate of the contributions expected to be paid to the plan during the next year – Rs. 424 lacs (previous year – Rs. 246 lacs).

Note 26: As per Accounting Standard on 'Related Party Disclosures' (AS-18) as notified by the Companies (Accounting Standards) Rules, 2006, the related parties of the Company are as follows:

1. **Holding Company:**

HDFC Bank Limited.

2. **Enterprise under common control of the Holding Company:**

HDB Financial Services Limited.

3. **Key Management Personnel:**

Mr. Dhiraj Relli, Managing Director

Mr. Aseem Dhru, Managing Director upto 1st May, 2015

Mr. Santosh Haldankar, Whole Time Director upto 31st March 2017

Mr. Ashish Rathi, Whole Time Director w.e.f. 1st April, 2017

Mr. N.E. Venkitakrishnan, Company Secretary w.e.f.

13th February, 2017

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

(Rs. in lacs)

| Nature of Transaction | Holding Company | Enterprise under common control of the Holding Company | Key Management Personnel |
|-----------------------------|--------------------|--|--------------------------|
| Placement of fixed deposits | 19,350 (12,583) | Nil (Nil) | Nil (Nil) |
| Refund of fixed deposits | 28,980 (4,989) | Nil (Nil) | Nil (Nil) |
| Franking Advance given | 2 (45) | Nil (Nil) | Nil (Nil) |

| | | | |
|--|--------------------|--------------|--------------|
| Rendering of services (including recoveries of expenses) | 297 (177) | 0* (1) | Nil (Nil) |
| Receiving of services (including payment of expenses) | 1,823 (2,086) | 12 (9) | Nil (Nil) |
| Interest received | 2,375 (1,894) | Nil (Nil) | Nil (Nil) |
| Interest paid | 0* (0*) | Nil (Nil) | Nil (Nil) |
| Dividend Paid | 6,064 (6,064) | Nil (Nil) | |
| Dhiraj Relli | | | Nil (Nil) |
| Santosh Haldankar | | | 0* (0*) |
| Remuneration to Key Management Personnel | Nil | Nil | |
| Dhiraj Relli | | | 175 (114) |
| Aseem Dhru | | | Nil (263) |
| Santosh Haldankar | | | 44 (42) |
| Balances outstanding: | | | |
| Receivables | 9 (5) | 0* (0*) | Nil (Nil) |
| Bank balances | 15,436 (9,398) | Nil (Nil) | Nil (Nil) |
| Fixed deposits | 18,345 (27,975) | Nil (Nil) | Nil (Nil) |
| Accrued interest on fixed deposit - receivable | 126 (188) | Nil (Nil) | Nil (Nil) |
| Accrued expenses | 190 (75) | 12 (5) | Nil (Nil) |
| Advances | 27 (40) | Nil (Nil) | Nil (Nil) |
| Bank guarantees received | Nil (5) | Nil (Nil) | Nil (Nil) |
| Deposit received | 76 (76) | Nil (Nil) | Nil (Nil) |
| Deposit paid | 0* (Nil) | Nil (Nil) | Nil (Nil) |

Figures in brackets pertain to the previous year.

* less than Rs. 50,000 /-

Note 27: Disclosures as required by Accounting Standard 19, "Leases", as notified by the Companies (Accounting Standards) Rules, 2006, are given below:

The Company has taken various premises under leave and license agreements, which range between 33 months and 9 years. The Company has given refundable interest free security deposits under certain agreements.

Lease payments are recognised in the Statement of Profit and Loss under 'Rent' in Note no. 23. Rent expenses of Rs. 1,312 lacs (Previous year – Rs. 1,160 lacs) in respect of obligation under cancellable operating leases and Rs. 81 lacs (Previous year – Rs. 76 lacs) in respect of non-cancelable operating leases have been charged to the statement of profit and loss.

The future minimum lease payments are as follows:

(Rs. in lacs)

| Particulars | FY 2016-17 | FY 2015-16 |
|---|------------|------------|
| Not later than one year | 1,175 | 1,250 |
| Later than one year but not later than five years | 2,673 | 3,755 |
| Later than five years | 989 | 883 |

Note 28: In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), as notified by the Companies (Accounting Standards) Rules, 2006 :

- (i) The Earnings per Share is computed by dividing the Net Profit after Tax by the weighted average number of equity shares.

| Particulars | | | FY 2016-17 | FY 2015-16 |
|-------------|---|-------------|------------|------------|
| a. | Weighted average number of equity shares for basic and diluted earnings per share | Nos. | 15,483,125 | 15,483,125 |
| b. | Net profit after tax available for equity shareholders | Rs. in lacs | 21,590 | 13,334 |
| c. | Basic and Diluted earnings per share of Rs. 10 each | Rs. | 139.45 | 86.12 |

Note 29: Taxation**Deferred Tax**

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

(Rs. in lacs)

| Particulars | 31 March, 2017 | 31 March, 2016 |
|---|----------------|----------------|
| Liabilities | | |
| Depreciation | (192) | (167) |
| Assets | | |
| Provision for employee benefits | 200 | 145 |
| Provision for Doubtful debts | 31 | 18 |
| Provision for Rates and Taxes | 71 | - |
| Provision for Contingencies | 17 | 17 |
| Net Deferred tax asset / (liability) | 127 | 13 |

Note 30: Corporate Social Responsibility (CSR)

Gross amount required to be spent by the Company under Section 135 of the Companies Act, 2013 for CSR expenditure during the year amounts to Rs. 382 lacs (Previous year - Rs. 313 lacs). The Company has advanced total Rs. 368 lacs, out of which Rs. 40 lacs pertains to the CSR of the previous financial year (Previous year advances – Rs. 151 lacs) for CSR activities for which Rs. 380 lac was spent, which included the Rs. 118 lacs utilized out of previous years CSR and Rs. 262 lacs for the current period (Previous year – Rs. 74 lacs) in the current financial year.

Note 31: Segment Reporting

The Company's business is to provide brokerage services to its clients in the capital markets within India. All other activities of the Company revolve around the main business. As such, there are no reportable segments as per the Accounting Standard on Segment Reporting (AS-17), specified under the Companies Act, 2013.

Note 32: Accounting for Employee Share based Payments

The Shareholders of the Company approved a stock option scheme (viz. ESOS-II) in February 2017 ("Company Options"). Under the terms of the scheme, the Company issues stock options to employees, whole time director, managing director and directors (excluding Independent Directors) of the Company, each of which is convertible into one equity share.

Scheme ESOS-II provides for the issuance of options at the recommendation of the Compensation Committee of the Board of Directors (the "Compensation Committee") at a price of Rs. 1,136/- per share, being the fair market value of the share arrived by considering the average price of the two independent valuation reports.

Such options vest at definitive dates, save for specific incidents, prescribed in the scheme as framed/approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee.

Method used for accounting for shared based payment plan

The Company uses the Intrinsic Value method to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employees Stock Options Plan

| Particulars | FY 2016-17 | |
|--|-----------------|---------------------------------------|
| | Company Options | Weighted average exercise price (Rs.) |
| Options outstanding, beginning of the year | - | - |
| Granted during the year | 2,80,000 | 1,136 |
| Exercised during the year | - | - |
| Forfeited during the year | - | - |
| Lapsed during the year | - | - |
| Options outstanding, end of the year | 2,80,000 | 1,136 |
| Options exercisable | - | - |

There was no stock options scheme during the financial year ending March 31, 2016.

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on dates of each grant using the Black and Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as an average of the historical volatility of similar listed enterprises for the purpose of calculating the fair value to reduce any company specific variations. The various assumptions

considered in the pricing model for the stock options granted by the Company during the year ended 31 March, 2017 are:

| Particulars | FY 2016-17 |
|-----------------------------|------------------|
| Dividend Yield | 3.52 % |
| Expected volatility | 43.53% to 42.48% |
| Risk - free interest rate | 6.60 % to 6.90% |
| Expected life of the option | 3 to 5 years |

Impact of fair value method on net profit and EPS

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

| Particulars | As at 31 March, 2017 (Rs. in lacs) |
|--|--|
| Net Profit (as reported) | 21,590 |
| Add: Stock based compensation expense included in net income | - |
| Less: Stock based employee compensation expense determined under fair value based method (pro forma) | (78) |
| Net Profit (pro forma) | 21,512 |
| Basic and diluted earnings per share (as reported) | 139.45 |
| Basic and diluted earnings per share (pro forma) | 138.95 |

Note 33: Disclosure related to SBN (Specified Bank Notes) as per the MCA Notification dated 30-March, 2017

(Rs. in lacs)

| Particulars | SBNs (Specified Bank Notes) | Other denomination notes / currency | Total |
|---------------------------------------|-----------------------------------|--|-------|
| Closing cash in hand as on 08-11-2016 | - | - | - |
| (+) Permitted receipts | - | 0* | 0* |
| (-) Permitted payments | - | - | - |
| (-) Amount deposited in Bank | - | - | - |
| Closing cash in hand as on 30-12-2016 | - | 0* | 0* |

* Rs. 2,944/-

Note 34: Proposed Dividend

The Board of Directors, in their meeting held on April 17, 2017 have proposed a final dividend of Rs. 20 per equity share amounting to Rs. 3,727 lacs, inclusive of tax on dividend amounting to Rs. 630 lacs. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March, 2016, proposed dividend is not recognised as a liability as on March 31, 2017. Accordingly, the proposed dividend and the tax thereon, under Appropriations in the Statement of Profit and Loss is lower by Rs. 3,097 lacs and Rs. 630 lacs respectively and the balance of Other Liabilities is lower by an equivalent amounts as on March 31, 2017.

Note 35: Comparative figures

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

For and on behalf of the Board of Directors

DHIRAJ RELLI
Managing Director

BHARAT SHAH
Chairman

C. V. GANESH
Chief Financial Officer

N.E. VENKITAKRISHNAN
Company Secretary

ASHISH RATHI
Whole time Director

Place : Mumbai
Date : 17 April 2017

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Equities | Derivatives | IPOs | DIYSIP in Shares | Mutual Funds | MF SIP | Corporate Fixed Deposits | NRI Offerings | NPS | Loans & Realty | NCDs & Bonds | Index / Gold ETFs | Insurance | E Will | e Tax Filing

SEBI Registration Nos.: INB011109437 (BSE - EQ) / INB231109431 (NSE - EQ) / INF231109431 (NSE - FO) / INF011109437 (BSE - FO) / INE231109431 (NSE - CD) | NSE Member Trading Code: 11094 | BSE Clearing Number: 393 | AMFI Reg No. ARN - 13549, PFRDA Reg. No - POP 04102015, IRDA Corporate Agent Licence no.- HDF 2806925/HDF C000222657, Research Analyst Reg. no. INH000002475, CIN - U67120MH2000PLC152193. Registered Address: HDFC securities, I Think Techno Campus, Building B, Alpha, Office Floor 8, Near Kanjurmarg Station, Kanjurmarg (East), Mumbai - 400 042. Tel - 022 30753400



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