

Directors' Report

The Members
HDB Financial Services Limited

Your Directors have pleasure in presenting the Third Annual Report on the business and operations of your Company together with the audited accounts for the year ended March 31, 2010.

FINANCIAL PERFORMANCE

(Rs. In Lakhs)

	2009-10	2008-09
Total Income	9762.77	2354.35
Total Expenditure	8360.03	3133.40
Profit/(Loss) before Depreciation & Tax	1402.74	(779.05)
Less: Depreciation	170.90	139.97
Profit before Tax	1231.84	(919.02)
Provision for Taxation	240.00	9.25
Profit / (Loss) after Taxation	991.84	(928.27)

Your Company has delivered an excellent performance with total income and net profit of Rs. 9762.77 lakhs and Rs. 991.84 lakhs respectively for the financial year ended March 31, 2010 as against total income of Rs.2354.35 lakhs and net loss of Rs. 928.27 lakhs in the previous year.

DIVIDEND

With a view to maintain a healthy capital adequacy ratio and to conserve the capital required for the business growth, your directors do not recommend any dividend.

OPERATIONS

During the year under review disbursements amounted to Rs 52500 lakhs as against Rs. 15100 lakhs in previous year. At present the company has 32 full service branches. The company expanded its product portfolio and now offers Personal Loans, Loans against Property, Loans to purchase Commercial Vehicles and Loans against Securities.

The company is a corporate agency for HDFC Standard life Insurance Company Limited and offers life insurance solutions to its customers through this arrangement. The company also has a lead sharing agreement with HDFC Ergo Insurance Company Limited for General Insurance Products.

The Collection Services Business of the Company now operates from all major metros and Hyderabad and Ahmedabad with current capacity of 990 seats. The company has built domain capabilities across Collection buckets for a range of retail products.

FIXED DEPOSITS

The Company is a non deposit taking company (NBFC-ND-SI). The Company had not accepted any Fixed Deposit during the period under review.

INCREASE IN PAID UP SHARE CAPITAL

During the period under review, the Company has not issued any new equity shares.

CREDIT RATING

The Credit Analysis & Research Limited (CARE) had assigned 'CARE AA+ (Double A Plus) rating to the Company for its long term loan borrowing programme aggregating to Rs.460 crores and PR1+ for its short term borrowing programme aggregating to Rs. 100 crores.

STATUTORY DISCLOSURES

1. The information required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder, are given in the annexure appended hereto and forms part of this report. In terms of section 219(1)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.
2. The provisions of Section 217(1)(e) of the Act relating to conservation of energy and technology absorption do not apply to your Company as it is not a manufacturing company.
3. The Company had no Foreign Exchange inflow and outgo for the period under review.

RBI GUIDELINES

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

HUMAN RESOURCES

People remain most valuable asset of your company. Your company will continue to recruit right people for right job in accordance with its business plans and will continue to enhance the employee potential through required training. As on date, the Company has staff strength of 2283. Your Directors would like to record their appreciation of the hard work and commitment of the Company's employees, which resulted in good performance for the year under review.

CAPITAL ADEQUACY

Company's capital adequacy ratio was at 17.87 % as against the minimum regulatory requirement of 12% for non-deposit accepting NBFCs.

DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors hereby state that:

1. In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. We have adopted appropriate accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company together with the profits of the company at the end of the financial year.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

DIRECTORS

Pursuant to provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. G. Subramanian and Mr. Pralay Mondal will retire by rotation at the ensuing Annual General Meeting and being eligible offered themselves for re-appointment.

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants were appointed by the Board as Statutory Auditors of the Company who hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Your Directors recommend their re-appointment.

EMPLOYEES STOCK OPTION SCHEME (ESOS)

On recommendation of Compensation Committee of your company, the Company has granted 205,000 stock options to eligible employees of the Company during the year under review. A detailed note on this subject is placed in the notes forming part of accounts at point no.15.

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

Macro Economic Environment

Global Economy went through an unprecedented slowdown in 2nd and 3rd Quarter of FY 2008-09. India too felt the impact of Advanced economies going through the crisis. This reflected in the GDP numbers which slowed from a four year average of 9.0% in FY 05-08 to 6.7% in FY 09 (Data source: CSO).

The Government of India put together a number of monetary and fiscal policies which helped contain the effects of global economic downturn on domestic economic activity. This reflects in the improvement in business Sentiment. The Dun and Bradstreet Business Optimism Index (BOI) for Q1 of 2010 recorded a sharp increase of 43.4 per cent on Y-o-Y basis. This increase partly reflected the low base effect, but is also indicative of improving business optimism.

The expected recovery of the Indian Economy has been led by growth in Industrial sector which is expected to post over 8% growth. Services Sector is also expected to grow at an impressive rate. The growth rate is however tempered by the poor growth in Agricultural sector which is expected to show a decline in production by 0.2%. (Date Source: CSO, various survey data)

Negative growth in Agriculture is expected to lead to further inflationary pressures and further sustainability of this nascent growth will require private investment, sustaining domestic demand and managing inflation through policy measures.

Industry Structure and Developments

During the year 2009-10, the Government, in tandem with the regulatory bodies, took a number of policy and structural measures to ease the tight liquidity conditions. This allowed Non-Banking Financial Companies to access funds to pursue their business. NBFCs have been able to grow their balance sheet and manage their non-performing assets (NPAs) to sustainable levels.

Opportunities

The Company is confident that the year 2010-11 will bring excellent growth potential. The lead indicators of economic performance across sectors suggest that economic recovery will sustain and this will throw up opportunities for your company. The Company continues to focus on Product / Customer Segments that are likely to give the company an advantage over the long term.

Threats

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

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

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

Operations

Products and Services

Retail lending, besides individuals, also addresses requirements of businesses whose borrowing needs are akin to individual borrowers. Thus requirements of small and micro enterprises that are too small to be serviced by corporate Lending Institutions are also well serviced by Retail Lenders.

The segments being addressed are typically underserved by the larger Commercial banks thus creating a profitable niche for HDB to address.

The Company has launched the following products and services:

- Loans – The Company offers a range of Loans in the Unsecured and Secured Loans space that fulfill the financial needs of its target Segment.
- Insurance Services – The Company is a corporate agent for HDFC Standard Life Insurance Company Limited. The company also has a lead sharing agreement with HDFC Ergo Insurance Company Limited for General Insurance Products. The Company sells Standalone Insurance products and also products such as Loan Cover and Asset Cover.
- Collection Services – The Company has a contract with HDFC Bank for collection services. The Company has 6 call centres with a capacity over 990 seats. These centers cover collection requirements at over 100 towns through its Calling and Field Teams. The company is in the process of increasing its capacity to meet the anticipated growth in business requirements.

Infrastructure

The Company has established full services branches across various locations thus creating the right distribution network to sell company's Products and Services. The Company has six collection centers for its Services Business. The company has its Data Centre at Bangalore and centralized operations at Hyderabad.

Internal Control Systems

In the opinion of the Management, the Company has adequate systems and procedures to provide assurance of recording transactions in all material respects.

The Company has appointed M/s A J Shah & Co., Chartered Accountants, to conduct internal audits. The auditors works to a scope agreed with the Audit Committee of the board. The reports are reviewed by the Audit Committee of the board.

Outlook

Policy Measures taken by Governments across the world and by the Indian Government in particular seem to suggest that growth cycle has returned. The events leading to the crisis in 2008 and actions thereafter have reinforced the importance of good risk management practices. Companies will carry over the lessons of the past year into 2010 and India Inc that will emerge stronger and more mature into the future.

The markets will continue to grow and mature leading to differentiation of products and services. Each financial intermediary will have to find his niche in order to add value to consumers. The company is optimistic in its outlook for the year 2010-11.

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on code of Governance

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

2. Board of Directors

i. Composition and size of the Board

The present strength of Board of Directors is 5 Directors. The Board comprises of Non-Executive Directors, who through their expertise in financial markets, bring independent judgment in the Board's deliberations and decisions.

The Directors of the Company have wide experience in the field of finance, banking and broking.

The details of the directors as at March 31, 2010 including the details of their other board directorship reckoned pursuant provisions of the Companies Act, 1956, and their shareholdings are given below:

Name of the Director	No. of Directorship	No. of shares held in the Company
Mr. Vinod Yennemadi	1	125,000
Mr. G. Subramanian	2	50,000
Mr. Pralay Mondal	1	90,000
Mr. Aseem Dhru	1	60,000
Mr. Kaizad Bharucha	Nil	75,000

ii. Directors with materially significant related party transactions, pecuniary or business relationship with the Company.

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interest of the Company at large.

iii. Board, Committee Meetings & Attendance

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

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

Directors' Report

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

3. General Body Meetings (2009-10)

Meeting	Date and Time	Venue	Resolutions passed
AGM	3.00 p.m. 09.06.2009	HDFC Bank House, Final Plot No.287, Ellisbridge Township Scheme No.3, Navrangpura, Ahmedabad - 380009	<ul style="list-style-type: none">i. To consider and adopt the audited Balance Sheet as at March 31, 2009 and Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors.ii. To re-appoint M/s. Haribhakti & Co., Chartered Accountants as Statutory Auditor.iii. Re-Appointment of Mr. Vinod Yennemadi as Director.iv. Appointment of Mr. Kaizad Bharucha as Director
EGM	11.00 a.m. 04.12.2009	Process House, Lower Ground, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013	<ul style="list-style-type: none">i. Borrowing in excess of Paid-up capital and free reservesii. Re-Appointment of Mr. Haren Parekh as Manager

4. Shareholding pattern as at 31.03.2010

Name of Shareholders	Shares held	%
HDFC Bank Ltd	10,00,00,000	95.23%
Others	50,07,000	4.77%
Total (Issued & Paid-up Shares)	10,50,07,000	100%

ACKNOWLEDGEMENT

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

By Order of the Board

Place : Mumbai
Date : April 16, 2010

Vinod Yennemadi
Chairman

Auditors' Report

TO THE MEMBERS OF HDB FINANCIAL SERVICES LIMITED

1. We have audited the attached Balance Sheet of **HDB Financial Services Limited** as at March 31, 2010 and also the Profit and Loss Account and the cash flow statement for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (v) On the basis of the written representations received from the Directors of the Company as on March 31, 2010, and taken on record by the Board of Directors of the Company, we report that none of the Directors is disqualified as on March 31, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the accounting policies and notes thereon and attached thereto give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010 and
 - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **Haribhakti & Co.**,
Chartered Accountants

Manoj Daga
Partner
Membership No. 48523

Place : Mumbai
Date : April 16, 2010

Annexure to Auditors' Report

[Referred to in Paragraph 3 of the Auditors' Report of even date to the members of **HDB Financial Services Limited** (the Company) on the accounts for the year ended March 31, 2010].

- (1) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets held for own use.
(b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- (2) As the Company does not hold any item of inventory defined in AS 2, the relevant clauses are not applicable.
- (3) According to the information and explanations provided to us by the management, the Company has not granted and/or taken any loans, secured or unsecured to/from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (4) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. Further, on the basis of our examination, and according to the information and explanations given to us, we have not observed any instances of major weaknesses in the aforesaid internal control system.
- (5) (a) According to the information and explanations given to us, we are of the opinion that there are no transactions that required to be entered into the register maintained under section 301 of the Companies Act, 1956 during the year.
(b) According to the information and explanations given to us, no such transactions are made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 exceeding the value rupees five lakhs in respect of any party during the year.
- (6) According to the information and explanations provided to us, the Company has not accepted any deposits from the "public" attracting the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 or any other relevant provisions and the rules framed there under.
- (7) The company is registered under Non Banking Financial (Non-Deposit taking or Holding) company, holding certificate of registration No. 01-00477 dated 31st December, 2007 issued by Reserve Bank of India U/s 45 -IA of the Reserve Bank of India Act, 1934. According to the information and explanations to us;
 - (a) The Board of Directors has passed a resolution for the non acceptance of any public deposits.
 - (b) The Company has not accepted any deposits from the "public" attracting the directions issued by the Reserve Bank of India and the provisions of sections 58A and 58 AA of the Companies Act, 1956 or any other relevant provisions and rules framed there under.
 - (c) The Company has complied with the prudential norms relating income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of Non Banking Financial [Non Deposit Accepting or holding companies prudential norms (Reserve Bank) Directions, 2009].
 - (d) The Capital adequacy ratio is in compliance with the minimum CRAR prescribed by Reserve Bank of India.

Annexure to Auditors' Report

- (8) In our opinion, the company has an internal audit system commensurate with the size and nature of business.
- (9) (a) According to the books and records of the Company as produced and examined by us and according to the information and explanations provided to us, the Company is regular in depositing undisputed statutory dues with the appropriate authorities.
- (b) According to the information and explanations provided to us, no undisputed amounts payable in respect Provident Fund, Employees' State Insurances, Income Tax, Wealth Tax, Cess and any other undisputed statutory dues were outstanding as at March 31, 2010 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Service Tax and Cess which have not been deposited on account of any dispute.
- (10) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a bank.
- (11) We are of the opinion that the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (12) According to the information and explanations provided to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions.
- (13) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (14) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used to finance long term investment and no long term funds have been used to finance short term assets.
- (15) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (16) As per information and explanations given to us, one fraud on the company amounting to Rs. 5 lakhs has been reported during the year.

The Clauses viii, x, xiii, xiv, xix, xx of the Order are not applicable to the Company and hence the same are not reported upon.

**For Haribhakti & Co.,
Chartered Accountants**

**Manoj Daga
Partner**

Membership No. 48523

Place : Mumbai
Date : April 16, 2010

Balance Sheet

	Schedule	As at March 31, 2010 Amount in Rs.	As at March 31, 2010 Amount in Rs.	As at March 31, 2009 Amount in Rs.	As at March 31, 2009 Amount in Rs.
Sources of Funds :					
Shareholders Fund					
Share Capital	1		1,050,070,000		1,050,070,000
Loan Fund					
Secured Loans	2		4,101,051,086		900,000,000
Unsecured Loans	3		460,000,000		-
Total Funds			5,611,121,086		1,950,070,000
Application of Funds :					
Fixed Assets					
Gross Block	4	123,257,397		99,550,843	
Less: Accumulated Depreciation		31,358,060		14,268,652	
Net Block			91,899,337		85,282,191
Capital Advances			6,530,233		1,445,709
Investments	5		34,999,996		-
Current Assets, Loans & Advances					
Interest Accrued but not Due		-		126,028	
Receivables under Financing Activity	6	5,335,519,474		1,443,255,027	
Cash & Bank Balances	7	129,115,729		350,055,663	
Sundry Debtors	8	36,663,309		48,048,180	
Loans & Advances	9	81,227,063		30,547,180	
		5,582,525,575		1,872,032,078	
Less: Current Liabilities & Provisions					
Current Liabilities	10	106,092,348		133,111,200	
Provisions	11	28,352,052		4,373,275	
		134,444,400		137,484,475	
Net Current Asset			5,448,081,175		1,734,547,603
Profit & Loss Account			29,610,346		128,794,497
Total Assets (Net)			5,611,121,086		1,950,070,000
Accounting Policies and Notes to Accounts	14				

The Schedules referred to above and Notes to Accounts form an integral part of the Balance sheet

As per our report of even date

For Haribhakti & Co.
Chartered Accountants

Manoj Daga
Partner
Membership No.48523

Place : Mumbai
Date : April 16, 2010

For and on behalf of the Board.

Vinod Yennemadi
Chairman

Pralay Mondal
Director

Haren Parekh
Finance Controller

Profit and Loss Account



	Schedule	For the year ended March 31, 2010 Amount in Rs.	For the year ended March 31, 2010 Amount in Rs.	For the year ended March 31, 2009 Amount in Rs.	For the year ended March 31, 2009 Amount in Rs.
Income					
Interest Income		600,229,445		116,406,313	
Other Financial Charges		110,917,378		31,773,917	
Fee Based Income		265,029,369		85,749,785	
Other Income		100,562		1,505,117	
Total Income			976,276,754		235,435,132
Expenditure					
Financial Charges		219,152,934		7,894,370	
Administrative & Other expenses	12	576,050,559		305,375,705	
Depreciation		17,089,407		13,996,854	
Provisions & Write Offs	13	40,799,703		70,564	
Total Expenditure			853,092,603		327,337,493
Profit/(Loss) Before tax			123,184,151		(91,902,361)
<u>Provision for taxation</u>					
Fringe Benefit Tax			-		925,000
Provision for taxation			24,000,000		-
Profit/(Loss) After Taxation			99,184,151		(92,827,361)
Balance B/F from Previous period			(128,794,497)		(35,967,136)
Balance Carried to Balance Sheet			(29,610,346)		(128,794,497)
<u>Earning Per Share (Rs.)</u>					
Basic Earning per Share (annualized) (Rs.)		0.94		(0.88)	
Diluted Earning per Share (annualized) (Rs.)		0.94		(0.88)	
Face Value Per Share (Rs.)			10		10
Accounting Policies and Notes to Accounts	14				

The Schedules referred to above and Notes to Accounts form an integral part of the Profit and Loss Account

As per our report of even date

For and on behalf of the Board.

For Haribhakti & Co.
Chartered Accountants

Vinod Yennemadi
Chairman

Manoj Daga
Partner
Membership No.48523

Pralay Mondal
Director

Place : Mumbai
Date : April 16, 2010

Haren Parekh
Finance Controller

Schedules to the Accounts

Schedule	As at March 31, 2010 Amount in Rs.	As at March 31, 2010 Amount in Rs.	As at March 31, 2009 Amount in Rs.	As at March 31, 2009 Amount in Rs.
Schedule - 1				
Share capital				
Authorised				
1,000,000,000 Equity Shares of Rs.10/- each		10,000,000,000		10,000,000,000
Issued, Subscribed and Paid up				
105,007,000 Equity Shares of Rs.10/- each fully paid up		1,050,070,000		1,050,070,000
(Of the above 100,000,000 Fully paid shares are held by HDFC Bank Ltd. "The Holding Company")				
Schedule - 2				
Secured Loan (Secured against Receivables of the company)				
Term Loan from Banks	4,099,153,889		900,000,000	
(Repayable during the next year Rs. 152.01 crores Previous year Rs. 30 crores)				
Cash Credit from Banks	1,897,197	4,101,051,086	-	900,000,000
Schedule - 3				
Unsecured Loan				
Security Deposit Received	60,000,000		-	
Commercial Paper	400,000,000	460,000,000	-	-
(Repayable during the next year Rs. 40 crores, Previous year NIL)				

Schedules to the Accounts

Schedule - 4

Fixed Assets

Particulars	Gross Block			Depreciation			Net Block	
	As on April 1, 2009	Additions for the year	As on March 31, 2010	As on April 1, 2009	Additions for the year	As on March 31, 2010	As on March 31, 2010	As on March 31, 2009
Software	23,333,717	1,614,803	24,948,520	4,430,204	4,879,692	9,309,896	15,638,624	18,903,513
Computers	17,907,968	4,183,217	22,091,185	2,949,943	3,577,755	6,527,698	15,563,487	14,958,025
Furniture & Fixture	20,411,251	4,789,416	25,200,667	3,969,017	2,670,705	6,639,722	18,560,945	16,442,234
Leasehold Improvements	22,175,129	9,294,294	31,469,423	1,426,043	3,094,147	4,520,190	26,949,233	20,749,086
Office Equipment	15,722,778	3,824,824	19,547,602	1,493,446	2,867,108	4,360,554	15,187,048	14,229,332
Total	99,550,843	23,706,554	123,257,397	14,268,653	17,089,407	31,358,060	91,899,337	85,282,190

Schedule	As at March 31, 2010 Amount in Rs.	As at March 31, 2010 Amount in Rs.	As at March 31, 2009 Amount in Rs.	As at March 31, 2009 Amount in Rs.
Schedule - 5				
Investments				
Long Term Investment				
Investment in Unquoted Equity shares (Non Trade Fully Paid)				
1,044,776 Shares of Rs. 10 each	34,999,996	34,999,996		
Schedule - 6				
Receivables under financing Activity				
Secured				
Loans against Immovable Property	2,555,991,226		615,434,975	
Other Secured Loans	238,812,610	2,794,803,835	6,960,230	622,395,205
Unsecured				
Loans	2,575,581,847		820,957,831	
Less: Provisions against doubtful loans	34,866,209	2,540,715,638	98,009	820,859,822
Total		5,335,519,474		1,443,255,027
Schedule - 7				
Cash and Balances with Scheduled Bank				
In Current Account	128,858,002		-	
Cash In Hand	257,727		55,663	
Fixed Deposits	-	129,115,729	350,000,000	350,055,663

Schedules to the Accounts

Schedule	As at March 31, 2010 Amount in Rs.	As at March 31, 2010 Amount in Rs.	As at March 31, 2009 Amount in Rs.	As at March 31, 2009 Amount in Rs.
Schedule - 8 Sundry Debtors (Unsecured, Considered Good) Less than 6 months		36,663,309		48,048,180
Schedule - 9 Loans & Advances (Unsecured, Considered Good) Deposits Unmatured Discount on commercial paper Advances Recoverable in Cash or in kind Advance payment against taxes	22,259,360 19,112,932 2,791,798 37,062,973	81,227,063	17,381,879 - 2,437,273 10,728,028	30,547,180
Schedule - 10 Current Liabilities In Current Account with Bank (overdrawn balances) Sundry Creditors Other liabilities	14,112,148 85,266,606 6,713,594	106,092,348	79,589,148 49,697,631 3,824,421	133,111,200
Schedule - 11 Provisions Provisions for Tax Provisions for Gratuity Provisions for Compensated Absences	24,958,000 443,916 2,950,136	28,352,052	958,000 641,433 2,773,842	4,373,275

Schedules to the Accounts

SCHEDULE	Amount For the year ended March 31, 2010	Amount For the year ended March 31, 2009
SCHEDULE 12		
ADMINISTRATIVE AND OTHER EXPENSES		
1) PAYMENTS TO & PROVISION FOR EMPLOYEES		
Salaries	382,280,608	170,430,734
Managerial Remuneration	3,397,313	851,905
Staff welfare & Employee benefit expenses	6,690,924	4,781,287
Contribution to Employee benefit funds & other related expenses	28,903,446	13,030,487
	421,272,291	189,094,413
2) OTHER EXPENSES		
Rent	46,289,942	33,870,246
Rates & Taxes	130,567	79,247
Legal & Professional Fees	4,613,449	7,688,986
Travelling & Conveyance	6,577,653	4,609,647
Telephone	24,369,039	7,010,200
Printing & Stationary	3,117,875	2,599,656
Postage & Courier Charges	1,641,591	733,908
Equipment Hire Charges	10,275,535	4,887,063
Recruitment Expense	963,694	3,533,312
Computer Expenses	8,548,320	23,614,856
Lease Car Rental & Petrol Expenses	1,785,633	1,881,797
Power & Fuel	10,979,808	5,436,842
Office Expenses	9,062,608	4,814,416
Repairs & Maintainance	959,402	1,653,441
Sales Promotion Expense	641,706	1,607,959
Stamp Duty	1,468,035	1,150,455
Credit Report Charges	12,325,035	7,831,434
Audit Fees	633,549	350,000
Insurance	213,760	93,792
Commision & Brokerage	8,836,282	2,834,035
Collection Cost	1,261,413	-
Storage Cost	83,372	-
Sub Total	154,778,268	116,281,292
TOTAL	576,050,559	305,375,705
SCHEDULE-13		
Provisions & Write offs		
Provisions for Non performing assets	25,476,346	70,564
Write offs	15,323,357	-
	40,799,703	70,564

SCHEDULE 14

NOTES ON ACCOUNTS

1. Overview:

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

2. Basis of preparation:

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

3. Use of Estimates:

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

4. Significant Accounting Policies:

i. Advances

Advances are classified into performing and non-performing advances (NPAs) as per the RBI guidelines. Interest on non-performing advances is transferred to an interest in suspense account and not recognized in the profit and loss account until received. Advances are stated net of provision on debts and interest in suspense.

ii. Fixed Assets and Depreciation

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

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are as under:

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is shorter.
- Office equipment at 16.21% per annum
- Computers at 16.21% per annum
- Software and System development expenditure at 20.00% per annum
- Items costing less than Rs 5,000/- are fully depreciated in the year of purchase
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.

For assets purchased and sold during the year, depreciation is being provided on pro rata basis by the Company.

iii. Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit ("CGU"). If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to maximum of the depreciated historical cost.

iv. Investments

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

v. Employee Benefits

a) Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, on death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined gratuity benefit plans are valued by an independent external actuary as at the balance sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognized in the profit and loss account.

b) Provident fund

In accordance with law, all employees of the Company are entitled to receive benefits under the provident fund. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary) to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Company has no liability for future provident fund benefits other than its annual contribution. The contributions are accounted for on an accrual basis and recognized in the profit and loss account, being a defined contribution plan.

c) Compensated Absences

The Company does not have a policy of encashment of unavailed leaves for its employees. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits. The provision is based on an independent external actuarial valuation at the balance sheet date.

vi. Lease accounting

Lease payments for assets taken on operating lease are recognized in the profit and loss account over the lease term in accordance with the AS 19, Leases, issued by the Institute of Chartered Accountants of India.

vii. Revenue Recognition

- Interest income is recognized in the profit or loss account on an accrual basis. Income including interest / discount or any other charges on Non-Performing Assets (NPA) is recognized only when it is realized. Any such income recognized before the asset became non-performing and remaining unrealized is reversed.
- Fee based income and other financial charges are recognized on an accrual basis, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.

Schedules to the Accounts as at March 31, 2010

viii. Income tax

Income tax expense comprises the provision for current tax determined in accordance with the Income Tax Act, 1961 and the net change in the deferred tax asset or liability for the year. The Company provides for deferred tax based on the timing difference resulting from the recognition of items in the financial statements and in estimating its current income tax provision. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized. However, where there is unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets and liabilities are measured using tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets are reviewed as at each balance sheet date to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

ix. Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with AS 20, Earnings Per Share issued, by the Institute of Chartered Accountants of India. Basic earnings per equity share have been computed by dividing net profit / loss attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit attributable to the equity share holders for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti dilutive.

x. Accounting for Provisions, Contingent Liabilities and Contingent Assets

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

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

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

Contingent assets are not recognized in the financial statements.

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

xi. Interest on borrowings

Interest on borrowings is recognized in profit and loss account on an accrual basis.

5. Capital Adequacy Ratio

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

Particulars	2009-10	2008-09
CRAR%	17.87%	57.68%
CRAR -Tier I Capital %	17.87%	57.68%
CRAR-Tier II Capital %	Nil	Nil

Schedules to the Accounts as at March 31, 2010

6. Exposure to Real Estate Sector

(Rupees in lakhs)

Categories	2009-10	2008-09
A. Direct Exposure		
i. Residential Mortgages - (Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented)	18,814	3,513
ii. Commercial Real Estate – (Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)	6,733	2,643
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures – a) Residential b) Commercial Real Estate	-	-
B. Indirect Exposure (Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

7. Maturity pattern of certain items of assets and liabilities

(Rupees in lakhs)

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

As at 31.03.2009	1 day to 30/31 days one months	Over one months to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Assets									
Loans and Advances	182	213	217	677	1,469	6,689	1,521	3,262	14,230
Liabilities									
Borrowings	333	416	750	-	1,501	6,000	-	-	9,000

Schedules to the Accounts as at March 31, 2010

8. Segment Reporting

Summary of opening segments of the Company is given below:

(Rs. In lakhs)

Particulars	2009-10	2008-09
i. Segment Revenue		
Lending business	6,854.50	995.67
Fee Based Income	2,650.29	857.50
Unallocated	257.97	501.19
Total	9,762.77	2,354.35
Less: Inter Segment Revenue	-	-
Income from Operations		
ii. Segment Results		
Lending business	1,156.57	(942.67)
Fee Based Income	343.10	133.48
Unallocated	(267.83)	(109.83)
Total profit before tax	1,231.84	(919.02)
Income Tax expenses	(240.00)	(9.25)
Net Profit	991.84	(928.27)
iii. Capital Employed		
Segment assets		
Lending business	55,065.84	18508.12
Fee based Income	779.13	877.09
Unallocated	1,314.57	202.39
Total Assets	57,159.55	19,587.60
Segment Liabilities		
Lending business	45,621.98	9,233.60
Fee based Income	724.50	94.85
Unallocated	608.47	1,046.39
Total Liabilities	46,954.95	10,374.84
Net Segment assets / (liabilities)		
Lending business	9,443.86	14,773.95
Fee based Income	54.63	782.24
Unallocated	706.10	(6,343.44)

Schedules to the Accounts as at March 31, 2010

Particulars		2009-10	2008-09
iv.	Capital Expenditure (including net CWIP)		
	Lending business	93.26	304.30
	Fee based Income	122.80	408.85
	Unallocated	86.30	9.13
	Total	302.36	722.28
v.	Depreciation		
	Lending business	104.50	86.09
	Fee based Income	55.16	50.71
	Unallocated	11.23	3.17
	Total	170.89	139.97

9. AS – 15 Disclosure

A) Defined Contribution Plan (Provident Fund)

Amount of Rs. 8,931,523 /- (Previous Year: Rs. 4,668,294) is recognize as expense and included in "Payments to and Provision for Employees" in Profit & Loss Account.

B) Defined Benefit Plan (Gratuity)

The Company contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Standard Life Insurance Company Limited ("HDFC Standard Life"). HDFC Standard Life has certified the Projected Benefit Obligation for all the Companies covered in the Group. However, since HDFC Standard Life has certified the Fair Value of the Plan Assets for the Group only, the Fair Value of the Plan Assets for the Company has been estimated by the Management and relied upon by the Auditors.

Details of Actuarial Valuation as at March 31, 2010

(Amount in Rs.)

Particulars	2009-10	2008-09
Benefit Obligation as at April 1, 2009	1,324,758.00	47,574.00
Service Cost	1,054,953.00	888,546.00
Interest Cost	111,280.00	3,806.00
Actuarial Losses/ (Gains)	(637,819).00	384,832.00
Benefits Paid	-	-
Benefit Obligation as at March 31, 2010	1,853,172.00	1,324,758.00
Fair Value of Plan Assets as at April 1, 2009	683,325.00	-
Expected Returns on Plan Assets	83,703.00	27,333.00
Employer's Contribution	641,433.00	647,574.00

Schedules to the Accounts as at March 31, 2010

Particulars	2009-10	2008-09
Benefits Paid	-	-
Actuarial Gains/ (Losses)	795.00	8,418.00
Fair Value of Plan Assets as at March 31, 2010	1,409,256.00	683,325.00
<u>Balance sheet recognition</u>		
Present value of obligation	1,853,172.00	1,324,758.00
Fair value of planned asset	(1,409,256.00)	(683,325.00)
Liability (Asset)	443,916.00	641,433.00
Unrecognised past service cost	-	-
Liability (Asset) recognized in the Balance sheet	443,916.00	641,433.00
<u>Profit and Loss (Expenses)</u>		
Current Service Cost	1,054,953.00	888,546.00
Past Service cost	-	-
Interest on Obligation	111,280.00	3,806.00
Expected Return on Plan Assets	(83,703.00)	(27,333.00)
Net Actuarial Losses/ (Gains) Recognised in the Year	(638,613.00)	376,414.00
Expenses recognised in the Profit and Loss Account	443,916.00	1,241,433.00
<u>Actual return on planned assets</u>		
Expected return on planned assets	83,703.00	27,333.00
Actuarial gain (Loss) Plan Assets	795.00	8,418.00
Actual Return On Plan Assets	84,498.00	35,751.00
<u>Movement in the net Liability recognised in the Balance Sheet</u>		
Opening net Liability	641,433	1,241,433.00
Expenses	443,916	(600,000.00)
Contribution	(641,443)	-
Closing Net Liability	443,916	641,433.00
<u>Assumptions</u>		
Discount Rate	8.40% p.a.	8.00% p.a.
Future Salary Increase (%)		
1 General Staff	5.00%	10.00%
2 Others	5.00%	2.00%
Expected Rate of Return on Plan Assets	8.00% p.a.	8.00% p.a.

Notes:

- i. The Company has adopted the AS 15 revised with effect from April 1, 2008 and, hence, the corresponding figures for the previous year have not been furnished.
- ii. The expected return on plan assets is as furnished by HDFC Standard Life.

Schedules to the Accounts as at March 31, 2010

10. Related Party Disclosures

Name of the related Party and Nature of Relationship

Holding Company: HDFC Bank Limited

Enterprise under common control of Holding company: HDFC Securities Limited.

Enterprise over which holding company is able to exercise significant influence:

HBL Global Pvt Ltd

Key Management Person: Mr. Vinod Yennemadi

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

Details of Related Party Transactions for the Year:

(Rs. in lakhs)

Transaction	Related Party	2009-10	2008-09
Interest Paid	HDFC Bank	546.07	3.14
Interest received on Fixed Deposits	HDFC Bank	8.34	445.09
Income received (Reimbursement of expenses)	HDFC Bank	3.47	5.97
Income received (Reimbursement of expenses)	HDFC Securities	0.60	-
Rent paid	HDFC Bank	212.09	184.69
Rent Received	HDFC Securities	1.01	-
Rent Received	HBL Global	1.76	-
Collection Fees Received	HDFC Bank	2,942.06	857.50
Term Loan availed	HDFC Bank	20,000.00	1,500.00
Fixed Deposits	HDFC Bank	-	3,500.00
Balance in current account / Fixed Deposit	HDFC Bank	1,147.46	2,704.67
Investment banking fees paid	HDFC Bank	63.04	-
Expenses Payable	HDFC Securities	1.42	-
Unsecured loans	HDFC Bank	600.00	-
Balance Receivables	HDFC Bank	269.85	246.66
Balance Receivables	HDFC Securities	0.60	-
Professional fees	Vinod Yennemadi	22.72	13.4

Schedules to the Accounts as at March 31, 2010

11. Earnings per Share

(Rs. In lakhs)

Particulars	2009-10	2008-09
Net Profit/Loss	991.84	(928.27)
Weighted Average Number of Equity Shares Basic and Diluted	105,007,000	104,987,767
Earnings per Share Basic and Diluted (Rs)	0.94	(0.88)
Face Value Per Share (Rs)	10/-	10/-

12. Operating lease

i. Future Lease Rental payments

(Rs. In lakhs)

Period	2009-2010	2008-2009
Not later than one year	437	485
Later than one year, but less than three years	884	885
More than three years, but less than five years	688	668
More than five years	979	-

ii. Lease payments recognized in the Profit and Loss Account Rs. 564.72 lakhs (Previous year Rs. 374.30 lakhs)

iii. General description of leasing arrangement

- a) Leased Assets: Premises, Computers and Cars.
- b) Future lease rentals are determined on the basis of agreed terms.
- c) At the expiry of the lease term, the Company has an option either to return the asset or extend the term by giving notice in writing.

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

i. Manager's Remuneration

(Amount in Rs.)

Particulars	2009-10	2008-09
Salaries and Allowances	2,941,910	697,410
Contribution to Provident and other fund	100,848	25,212
Other benefits	354,555	129,283

Schedules to the Accounts as at March 31, 2010

Note:

In computing the Manager Remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits except that in case of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, notional amount as per Income Tax Rules has been added. Actuarial valuation based contribution/ provision with respect to gratuity and provision for leave encashment has not been included as these are for the Company as a whole.

ii. Computation of Net Profits under Section 198/349 of the Companies Act, 1956

(Amount in Rs.)

Particulars	2009-10	2008-09
Profit before Tax as per Profit and Loss Account	123,184,151	(91,902,361)
Add: Depreciation as per Books	17,089,407	13,996,854
Provision for NPA & write offs	40,799,703	70,564
Manager's Remuneration	3,397,313	851,905
Less: Depreciation as per Sec 350 of the Companies Act, 1956	17,089,407	13,996,854
Profit on Sale of Investments (Net)	100,562	1,505,117
Adjusted Profit	167,280,605	(92,485,009)

The Company depreciates its fixed assets based on estimated useful lives which are lower or equal to the implicit estimated useful lives prescribed by schedule XIV of the Act. Thus, the depreciation charged in the books is higher than that prescribed as the minimum by the Act. Hence, this higher value has been considered as a deduction for the computation of managerial remuneration above.

iii. The total remuneration as stated in 6(i) above are within the maximum permissible limits under the Companies Act, 1956.

14. Auditors' Remuneration

(Amount in Rs.)

Particulars	2009-10	2008-09
Statutory Audit	500,000	300,000
Tax Audit	100,000	50,000
Total	600,000	350,000

15. Accounting for Employee Share based Payments

The shareholders of the Company approved stock option schemes ESOS – 1 and ESOS – 2 in April 2008 and ESOS – 3 in October 2009. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Schemes ESOS – 1, ESOS – 2 and ESOS – 3 provide for the issuance of options at the recommendation of the Compensation Committee of the Board (the "Compensation Committee") at a price of Rs. 10 per share, being the face value of the share.

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

Method used for accounting for shared based payment plan

The Company has elected to use intrinsic value to account for the compensation cost of stock options to employees of the Company.

Schedules to the Accounts as at March 31, 2010

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

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

Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2009

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

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

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

Following summarizes the information about stock options outstanding as at March 31, 2009

Plan	Range of exercise price	Number of shares arising out of options	Weighted average remaining contractual (life in years)	Weighted average Exercise Price (Rs)	Vesting conditions
ESOS – 1	Rs. 10.00	125,000	3.50	10.00	2.5 years' service
ESOS – 2	Rs. 10.00	140,000	4.01	10.00	3 years' service

Schedules to the Accounts as at March 31, 2010

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended March 31, 2010 are:

	March 31, 2010	March 31, 2009
Dividend yield	Nil	Nil
Expected volatility	Nil	Nil
Risk- free interest rate	6.81%	7.66% to 7.69%
Expected life of the option	1-5 years	1-5 years

Impact of fair value method on net profit and EPS

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

(Rs. in lakhs)

	March 31, 2010	March 31, 2009
Net Profit/(Loss) (as reported)	991.84	(928.27)
Stock based compensation expense determined under fair value based method: (pro forma)	(2.00)	(2.00)
Net Profit/(Loss) (pro forma)	989.84	(930.27)
Basic earnings per share (as reported)	0.94	(0.88)
Basic earnings per share (pro forma)	0.94	(0.89)
Diluted earnings per share (as reported)	0.94	(0.88)
Diluted earnings per share (pro forma)	0.94	(0.89)

16. Micro Small and Medium Enterprises

The Company has received intimation from a supplier regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 and amounts unpaid as at March 31, 2010 are Rs. 26,718/- (previous year Rs. 3,573,959/-).

17. Deferred Tax Asset

The net deferred tax asset of Rs. 51.52 lakhs (Previous year Rs. 366.74 lakhs) as at March 31, 2010 has arisen on account of the following:

(Amount in Rs.)

Particulars	2009-10	2008-09
Deferred Tax Asset		
Compensated absence	951,419	942,829
Business loss & unabsorbed depreciation	-	44,150,732
Provision for doubtful debts	8,216,122	23,985
Rent equalization	5,352,017	2,353,401
Deferred Tax Liability		
Difference due to depreciation as on date	6,687,938	6,560,310
Miscellaneous expenditure not yet reversed	2,679,405	4,235,952
Net Deferred Tax Asset	5,152,215	36,674,684

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

18. Investments

Profit on disposal of current investments Rs. 100,562 (Previous year: Rs. 1,505,117)

19. Capital commitments as at Balance Sheet date is Rs.277.52 lakhs net of advances

(Previous Year Rs.79.12 lakhs)

20. Previous Year Figures have been regrouped/ rearranged, where necessary.

For and on behalf of the Board

Vinod Yennemadi
Chairman

Pralay Mondal
Director

Haren Parekh
Finance Controller

Place: Mumbai
Date : April 16, 2010

Cash Flow Statement

(Amount in Rs.)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Cash flows from operating activities		
Net profit before income tax	123,184,151	(91,902,361)
Adjustments for:		
Depreciation	17,089,407	13,996,854
Adjustments for :		
(Increase) in Investments	-	-
Increase in Receivables under financing activity	(3,892,264,446)	(1,491,303,207)
(Increase) in Advances	(28,168,984)	11,153,060
(Decrease) in Borrowings	3,661,051,086	979,589,148
Increase in Deposits	-	-
(Increase) in Other assets	-	(11,381,879)
Preliminary Expenses	-	-
Increase in Other liabilities and provisions	(27,040,075)	32,328,041
(Increase)/Decrease in Deposit Placements	-	-
	(146,148,860)	(557,520,344)
Direct taxes paid (net of refunds)	(11,000,000)	(734,839)
Preliminary, pre-operating and share issue expenses incurred	-	-
Net cash flow from/(used in) operating activities	(157,148,860)	(558,255,183)
Cash flows from investing activities		
Purchase of fixed assets	(28,791,077)	(72,227,692)
Proceeds from sale of fixed assets	-	-
Long term investments	(34,999,996)	-
Net cash used in investing activities	(63,791,073)	(72,227,692)

Cash Flow Statement

	For the year ended March 31, 2010	For the year ended March 31, 2009
Cash flows from financing activities		
Money received on exercise of stock options by employees	-	-
Proceeds from issue of Upper Tier II capital	-	-
Lower Tier II capital and Innovative Perpetual Debt Instruments	-	-
Redemption of subordinated debt	-	-
Issue of equity shares	-	650,000
Dividend during the year	-	-
Tax on Dividend	-	-
Net cash generated from financing activities	-	650,000
Net increase in cash and cash equivalents	(220,939,933)	(629,832,875)
Opening cash & cash equivalents	350,055,663	979,888,538
Closing cash & cash equivalents	129,115,729	350,055,663
	(220,939,934)	(629,832,875)

As per our report of even date

For Haribhakti & Co.
Chartered Accountants

Manoj Daga
Partner
Membership No.48523

Place : Mumbai
Date : April 16, 2010

For and on behalf of the Board.

Vinod Yennemadi
Chairman

Pralay Mondal
Director

Haren Parekh
Finance Controller

RBI Disclosure

Disclosure Pursuant to the Reserve Bank of India Notification DNBS (PD) CC No. 145/03.02.001/2009-10 dated July 1, 2009:

(Rs. In Lakhs)

Sr. No	Particulars	2009-10	2008-09
	Liabilities side:		
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	-	-
	- Unsecured (other than falling within the meaning of public deposits)	-	-
	(b) Deferred Credits	-	-
	(c) Term Loans	40,991.54	9,000.00
	(d) Inter-Corporate Loans and Borrowings	-	-
	(e) Other Loans	4,618.97	-
	(Represents Working Capital Demand Loans and Cash Credit from Banks)		
	Assets side:		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]:		
	(a) Secured	27,948.03	6,223.95
	(b) Unsecured	25,407.16	8,208.59
3	Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities		
	(i) Lease Assets including Lease Rentals Accrued and Due:		
	(a) Financial Lease	-	-
	(b) Operating Lease	-	-
	(ii) Stock on Hire including Hire Charges under Sundry Debtors:		
	(a) Assets on Hire	-	-
	(b) Repossessed Assets	-	-
	(iii) Other Loans counting towards AFC Activities		
	(a) Loans where Assets have been Repossessed	-	-
	(b) Loans other than (a) above	-	-
4	Break-up of Investments (net of provision for diminution in value):		
	Current Investments:		
	I. Quoted:		
	i. Shares:		
	(a) Equity	-	-
	(b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares:		
	(a) Equity	-	-
	(b) Preference	-	-
	ii. Debentures and Bonds	-	-

RBI Disclosure

Disclosure Pursuant to the Reserve Bank of India Notification DNBS (PD) CC No. 145/03.02.001/2009-10 dated July 1, 2009:

(Rs. In Lakhs)

Sr. No	Particulars	2009-10	2008-09
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (Please specify)	-	-
	Long Term Investments:		
	I. Quoted:		
	i. Shares:	-	-
	(a) Equity	-	-
	(b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares:		-
	(a) Equity	349.99	-
	(b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (Please specify)	-	-
5	Borrower Group-wise Classification of Assets Financed as in (2) and (3) above:		
	1. Related Parties		
	(a) Subsidiaries	-	-
	(b) Companies in the same Group	-	-
	(c) Other Related Parties	-	-
	2. Other than Related Parties	53355.19	14738.02
6	Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted)		
	1. Related Parties		
	(a) Subsidiaries	-	-
	(b) Companies in the Same Group	-	-
	(c) Other Related Parties	-	-
	2. Other than Related Parties	349.99	-
7	Other Information		
	(i) Gross Non-Performing Assets		
	(a) Related party	-	-
	(b) Other than related party	509.53	1.40
	(ii) Net Non-Performing Assets		
	(a) Related party	-	-
	(b) Other than related party	254.76	0.70
	(iii) Assets Acquired in Satisfaction of Debt	-	-

Balance Sheet Abstract and Companies General Business Profile



(Submitted in terms of Part IV of schedule VI to the Companies Act, 1956)

I Registration Details

Registration No.	:	051028	State Code:	:	04
Balance Sheet Date	:	31/03/2010			

II Capital Raised during the period (Amount in Rs.thousand)

Public Issue	:	N I L	Rights Issue	:	N I L
Bonus Issue	:	N I L	Private Placement	:	N I L

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

Total Liabilities	:	5745565	Total Assets	:	5745565
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Sources of Funds (Amount in Rs.thousand)

Paid-up Capital	:	1,050,070	Reserves & Surplus	:	N I L
Secured Loans	:	4101051	Unsecured Loans	:	460000

Application of Funds (Amount in Rs.thousand)

Loans	:	5335519	Net Fixed Assets	:	91899
Capital work in Progress	:	N I L	Deferred Tax Asset	:	5,041
Investments	:	N I L	Net Current Assets	:	5448081
Accumulated losses	:	29610	Miscellaneous Expenditure	:	0

IV Performance of Company (Amount in Rs.thousand)

Total Income	:	976276	Total Expenditure	:	853092
Profit Before Tax	:	123184	Profit After Tax	:	99184
Earning Per Share in Rs.	:	0.94	Dividend %	:	N I L

V Generic Names of Three Principal Services of the Company (as per monetary terms)

Item Code No. (ITC Code) : -
Product Description : Financial Services