

ANNUAL REPORT
1996 - 97

HDFC BANK LIMITED

3rd ANNUAL GENERAL MEETING

Date : 24th July, 1997
Day : Thursday
Time : 3.00 p.m.
Place : Birla Matushri Sabhagar,
19, New Marine Lines,
Mumbai 400 020

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BOARD OF DIRECTORS

Mr. Shobha Singh Thakur, *Chairman*
Mr. Deepak M. Satwalekar
Mr. Jagdish S. Baijal
Mr. Nasser M. Munjee
Mr. Keki M. Mistry
Mr. John Howland Jackson
Mr. Philip W. Deer
Dr. (Mrs.) Amla Samanta
Mr. Aditya Puri, *Managing Director*

ASSISTANT VICE PRESIDENT-LEGAL & COMPANY SECRETARY

Mr. Sanjay B. Dongre

AUDITORS

Bharat S Raut & Co.
(A member firm of KPMG)

REGISTRARS & SHARE TRANSFER AGENTS

MCS Limited

Sri Venkatesh Bhawan,
Plot No. 27, Road No. 11,
MIDC Area, Andheri (East),
Mumbai 400 093.
Tel. No. 8215235/6/7
Fax No. 8350456

REGISTERED OFFICE

Sandoz House,
Dr. Annie Besant Road, Worli,
Mumbai 400 018.
Tel. No. 4951616
Fax No. 4951771

NOTICE is hereby given that the Third Annual General Meeting of the members of HDFC Bank Limited will be held at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020 on Thursday, 24th July, 1997 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 31st March, 1997 and Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors.
2. To declare dividend.
3. To appoint a Director in place of Mr. J. S. Bajjal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and in this connection, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Bharat S Raut & Co., Chartered Accountants, be and are hereby re-appointed Auditors of the Bank to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors in the best interest of the Bank, for the purpose of audit of the Bank's accounts at its Head Office and all its branch offices."

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution :
- "RESOLVED THAT Mr. John Howland Jackson be and is hereby appointed a Director of the Bank, liable to retire by rotation."
6. To consider, and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. Philip W. Deer be and is hereby appointed a Director of the Bank liable to retire by rotation."

By Order of the Board

SANJAY B. DONGRE
Asstt. Vice President—Legal
& Company Secretary.

Date : 20th May, 1997
Place : Mumbai.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK. The proxy form should be lodged with the Bank at its Registered Office atleast 48 hours before the time of the Meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Bank will remain closed from 2nd July, 1997 to 24th July, 1997 both days inclusive.
4. Payment of dividend, if declared, will be made to the eligible members whose names appear in the Register of Members of the Bank on 24th July, 1997.
5. Members are requested to promptly notify any change in their address to the Bank's Registrars and Share Transfer Agents MCS LIMITED, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C. Area, Andheri (East), Mumbai 400 093.
6. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Bank during office hours on all working days except public holidays; between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.

Annexure to the Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

Mr. John Howland Jackson was appointed a Director of the Bank under section 260 of the Companies Act, 1956 and would hold office till the date of the ensuing Annual General Meeting. Subject to the approval of Members of the Bank, NatWest Markets have nominated Mr. Jackson as a Director of the Bank. Mr. Jackson is the Chairman, Asia Pacific of NatWest Markets. The Bank has received a notice from a Member signifying his intention to propose Mr. Jackson as a candidate for the office of Director. The Bank has also received deposit for Rs. 500/- as required under the said Act.

The Board of Directors recommends his appointment as Director. None of the Directors other than Mr. Jackson is in any way, concerned or interested in the said resolution.

ITEM NO. 6

Mr. Philip Deer was appointed as a Director of the Bank in the vacancy caused by the resignation of Mr. Phil Wise and would hold

office till the date of the ensuing Annual General Meeting. Subject to the approval of Members of the Bank, Natwest Markets have nominated Mr. Deer as a Director of the Bank. Mr. Deer is the Senior Managing Director, NatWest Markets and is in charge of foreign investment. The Bank has received a notice from a Member signifying his intention to propose Mr. Deer as a candidate for the office of Director. The Bank has also received deposit for Rs. 500/- as required under the said Act.

The Board of Directors recommend his appointment as a Director. None of the Directors other than Mr. Deer is, in any way, concerned or interested in the said resolution.

By Order of the Board

SANJAY B. DONGRE

*Asstt. Vice President-Legal
& Company Secretary.*

Date : 20th May, 1997

Place : Mumbai.

**MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF THE
ANNUAL REPORT TO THE MEETING**

Directors' Report



To the Members,

Your Directors have pleasure in presenting the Third Annual Report on the business and operations of your Bank together with the audited accounts for the year ended 31st March, 1997.

FINANCIAL PERFORMANCE

	(Rs. in Crores*)	
	For the year ended 31st March, 1996	For the year ended 31st March, 1997
Deposits and other borrowings	730.92	1,478.35
Advances	368.62	575.26
Total Income	128.09	193.33
Profit before depreciation and tax	29.80	64.31
Net Profit	20.28	40.50
Appropriations:		
Transfer to Statutory Reserve	4.06	10.13
Proposed Dividend on Equity Shares	—	16.00
Tax on proposed Dividend	—	1.60
Balance carried over to Balance Sheet	16.22	12.77

Performance Vs. Prospectus Forecast	Projected	Actuals
Total Income	127.80	193.33
Profit after Tax	39.90	40.50
EPS - Rs.	2.00	2.03

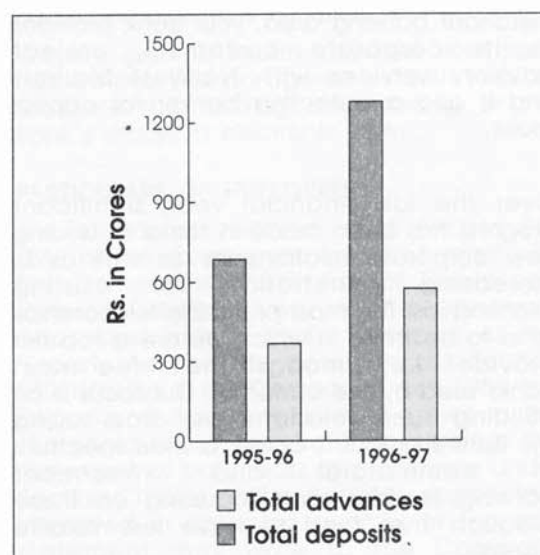
* Rs.1 Crore = Rupees Ten Million

Your Bank has performed well during its second full year of operations in 1996-97. Net profit was Rs. 40.50 crores, up 99.7 % from Rs. 20.28 crores in 1995-96. Return on average total assets was 3.0 % in 1996-97 up from 2.4 % in 1995-96, and return on average equity was 20.3 % in 1996-97, up from 10.4 % in the previous year.

GROWTH IN DEPOSITS AND ADVANCES

Deposits increased by 86.5 % for the year under review, from Rs. 685.70 crores to Rs. 1,279.07 crores. More importantly, the composition of deposits also changed with certificates of deposit down from Rs. 198.13 crores as of 31st March, 1996 to Rs. 31.91 crores as of 31st March, 1997. Savings account deposits more than tripled from Rs. 17.31 crores to Rs. 68.67 crores. These changes reflect your Bank's efforts at building its retail franchise and improving the stability and cost dynamics of the deposit base. In an environment in which overall bank credit grew by only 10 % as compared to 19 % in the previous year, your Bank's advances increased from Rs. 368.62 crores to Rs. 575.26 crores, a growth of 56 %. Your Bank's

approach to risk has been conservative and we believe our results bear that out. Your Bank also has a prudent strategy of funding its core loan growth from its core liabilities, defined as retail deposits and a certain proportion of corporate deposits.



Directors' Report (Contd.)

DIVIDEND

Your Bank is just over two years old and continues to require substantial investments in branch expansion, technology and other infrastructure for each of its major businesses. Considering the growth momentum, we believe that retentions would help create additional shareholder value by increasing the return on equity. Nonetheless, keeping in mind the repeated requests of a large number of individual shareholders and as a reflection of the optimism with which we look at your Bank's future performance, your Directors are happy to recommend a maiden dividend of 8 % for the year ended 31st March, 1997.

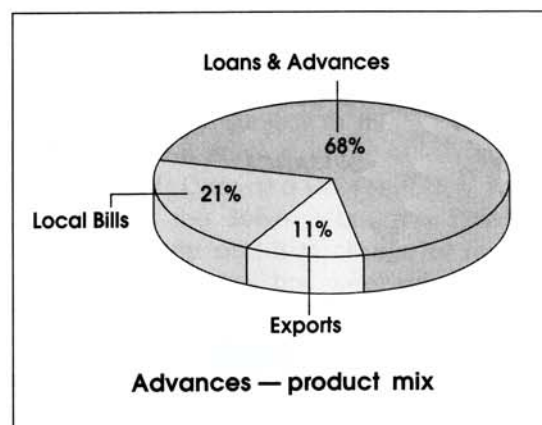
BUSINESS DEVELOPMENTS

All the four major businesses of your Bank are exhibiting greater momentum in an increasingly demanding environment.

Corporate Banking

Corporate Banking for your Bank is a relationship business. It is today the major contributor to revenue, both from funded and non-funded activities. In terms of meeting corporate customers' funding needs, your bank has focused on short and medium tenors in the form of cash credit, demand loans, export finance, bills discounting and investments in commercial paper and short/medium term debentures. Non-funded revenues are generated through various trade and transactional products provided by your Bank, including letters of credit, guarantees and cash management services. In the corporate finance and merchant banking area, your Bank provides to its corporate customers, project advisory services with NatWest Markets and is also a collecting banker for capital issues.

Over the last financial year, significant progress has been made in terms of adding new corporate relationships as well as in increasing penetration for existing relationships. The most profitable relationships tend to be those in which we are a top tier provider, i.e. amongst the three main banks used by the customer. Our focus is on building such relationships, cross-selling the Bank's products across a wide spectrum of commercial and investment banking services, and focussing on those products that tend to have less volatile income.



The Reserve Bank of India's 'Monetary and Credit Policy for the first half of 1997-98 is a landmark in the liberalisation process of the Indian banking industry and will not only increase the flow of credit to the corporate sector, but will also remove some of the structures which were inhibiting competition amongst banks. In such an open playing field, based on its superior service, quicker turnarounds and responsiveness to customer needs, we believe that your Bank would be able to sustain a healthy growth rate in its corporate banking business.

Treasury

During 1996-97 your Bank has taken considerable strides in each of its three treasury businesses - Foreign Exchange & Derivatives, Money Markets & Debt Securities and Equities Investments & Advisory. In all its treasury businesses, your Bank's earning streams are linked substantially to underlying customer flows or investments and not to trading and positioning activities. The dealing room in Mumbai is one of the most modern and well equipped in India and is the hub of your Bank's treasury related activities. In the foreign exchange markets your Bank is a market maker for trades in the Indian Rupee and in providing fine rates and advice to its corporate customers. It also has the capabilities to provide its corporate customers derivatives for hedging their interest rate and currency exposures. Your Bank had the distinction of booking the first derivative deal on the books of a bank in India, after this was allowed by the Reserve Bank of India last year. The money markets and debt securities desk continues to perform the critical role of managing the Bank's reserve requirements and ensuring adequate funding and liquidity for the rapidly growing balance sheet. With foreign institutional investors (FIIs) becoming increasingly interested in the Indian debt markets, we expect the domestic debt market to be a major opportunity for your Bank in the current year. The research

Directors' Report (Contd.)



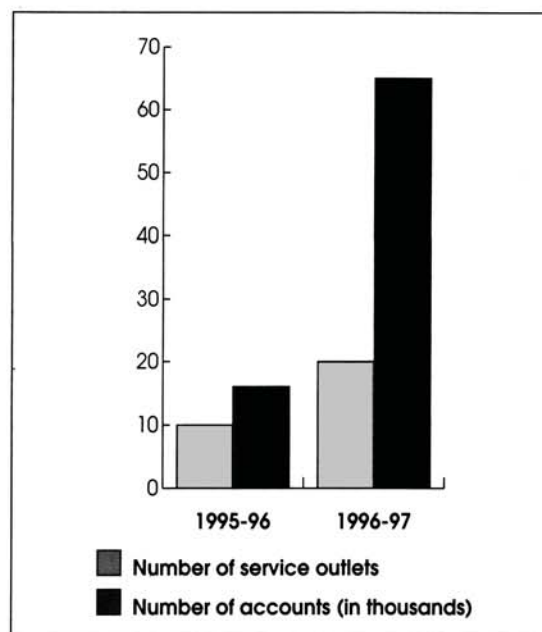
capabilities and expertise in the equities markets would also be leveraged by your Bank for providing advisory services to its customers.

Capital Markets Infrastructure

This business, which started off primarily as the custodial services business, has also grown substantially in 1996-97. Your Bank now has assets under custody of over Rs.1,500 crores with an impressive list of customers which includes FIIs, multilateral agencies, domestic mutual funds and NRIs/OCBs. As the equities markets in the country move from a purely paper based system to an electronic system through the National Securities Depository Ltd. (NSDL), your Bank is well positioned to participate in this market. The Bank is already a Depository Participant with the NSDL and over 100 National Stock Exchange (NSE) members have opened their clearing member accounts with us for share settlements in the depository mode. Your Bank has also been appointed as a clearing bank by the National Securities Clearing Corporation Ltd. (NSCCL) for cash settlements on the NSE. In the short span of two years, your Bank is well positioned in the capital markets infrastructure business and is the only bank in the country to be able to provide custodial services, depository participant services and clearing services on the NSE, under a single roof. We believe that going forward, your Bank's expertise in this area and its investment in terms of technology and people would support significant earnings growth as the capital markets prosper in future.

Retail Banking

Your Bank's retail banking business provides a full array of depository products to individuals through branches, ATMs, telephones and other customer interface channels. Our strategy is to combine superior quality front-end sales and services capabilities with centralised, cost efficient processing. This has required the reorganisation of some of our branches and the creation of centralised back office processing centres. Your Bank has already invested in state-of-the-art hardware and software to provide an on-line channel of electronic distribution through the ATMs. During the year, with a view to upgrading the Bank's recognition among retail customers, a corporate identity programme was undertaken with a new bank logo, change in branch signages and appropriate advertising campaigns.



Intensive research studies carried out by your Bank have demonstrated that retail banking is perched at a critical juncture in India wherein customers are disappointed and dissatisfied with the overall service levels and are keen to migrate to institutions which are able to provide modern and efficient services in a cost effective, convenient manner. With its major investment in the retail banking business in place and the ability to manage multiple retail distribution channels, your Bank is well poised to tap the tremendous retail banking potential. The evolving demands for customer convenience and the intense competition in the retail markets will continue to challenge us to do even better, at lower costs.

DE-MATERIALISATION OF SHARES

We are glad to inform you that your Bank has entered into an agreement with NSDL to facilitate the holding and trading of the Bank's shares in electronic form.

PARTICULARS OF EMPLOYEES

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in the Annexure appended hereto and forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders of the Bank, excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company

Directors' Report *(Contd.)*

Secretary at the Registered Office of the Bank. 45 employees were employed throughout/part of the year and were in receipt of remuneration in aggregate of not less than Rs. 3.00 lacs per annum or Rs. 25,000/- per month as the case may be. The Bank had 514 employees as at 31st March, 1997.

STATUTORY DISCLOSURE OF PARTICULARS

The requirement of disclosure, in terms of Section 217 (1) (e) of the Companies Act, 1956 of the steps taken as regards conservation of energy and technology absorption does not apply to your Bank. The Bank has, however, made extensive use of information technology in its operations, not only for automating back-office processing and accounting but also to enhance service and convenience to customers.

DIRECTORS

Under Article 137(a) of the Articles of Association, Mr. J. S. Baijal retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Mr. Philip Deer and Mr. Phil Wise resigned as Directors of the Bank with effect from 30th October, 1996 and 14th March, 1997 respectively. The Board of Directors places on record its appreciation of the valuable services rendered by Mr. Deer and Mr. Wise during the tenure of their office.

Mr. John Howland Jackson, Chairman, Asia Pacific of NatWest Markets was appointed as an additional Director of the Bank with effect from 30th October, 1996. Mr. Jackson holds office upto the date of the ensuing Annual General Meeting.

Mr. Philip Deer, Senior Managing Director, NatWest Markets, London was appointed a Director of the Bank pursuant to section 262 of the Companies Act, 1956 in the casual vacancy caused by the resignation of Mr. Phil Wise and holds office upto the date Mr. Wise would have held office i.e. upto the date of the ensuing Annual General Meeting.

The Bank has received notices from Members pursuant to Section 257 of the Companies Act, 1956 signifying their intention to propose the candidature of Mr. Jackson and Mr. Deer as Directors of the Bank.

Your Directors have pleasure in recommending the appointments of Mr. Jackson and Mr. Deer as Directors of the Bank.

AUDITORS

The auditors, M/s. Bharat S Raut & Company, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Members are requested to consider their re-appointment on a remuneration to be decided by the Board of Directors for the financial year ending 31st March, 1998 as set out in the Notice convening the Meeting.

ACKNOWLEDGEMENT

Your Directors would like to place on record their sincere gratitude for the support received from the Reserve Bank of India and other Government and regulatory agencies and look forward to their continued support.

To the extent your Bank has succeeded in achieving its business objectives in 1996-97 and positioning itself for future growth, credit is due not just to the decisions made by a few members of the senior management team, but to the commendable work done by the Bank's employees at all levels. We greatly appreciate the commitment and dedication they have shown and the energy devoted to getting the job done. For all our constituents, whether they be shareholders, customers or employees, we are committed to deliver performance and to conducting our business with professionalism and integrity, based upon our fundamental values and beliefs in customer focus, operational excellence, product leadership and professional people.

On behalf of the Board of Directors

S. S. THAKUR
Chairman

Date : 20th May, 1997

Place : Mumbai.

On the Financial Statements of The HDFC Bank Limited under Section 30 of The Banking Regulation Act, 1949

We have audited the Balance Sheet of HDFC Bank Limited ('the Bank') as at 31st March, 1997 and the related Profit and Loss Account for the year then ended. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

In accordance with provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not drawn up, in accordance with Schedule VI of the Companies Act, 1956. The financial statements are therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

In our opinion the financial statements give a true and fair view of the state of affairs of the Bank as at 31st March, 1997 and of its profit for the year then ended.

We further report that:

- the financial statements are in agreement with the books of account and give the

information required by the Companies Act, 1956, in the manner so required for banking companies;

- the Bank has maintained proper books of account as required by law insofar as appears from our examination of those books;
- the returns received from the branches have been found to be adequate for the purpose of our audit;
- the transactions which have come to our notice have been within the powers of the Bank; and
- the cash flow statement of the Bank has been prepared in accordance with the requirement of clause 32 of the listing agreement of The Stock Exchange, Mumbai.

For **BHARAT S RAUT & CO.**
Chartered Accountants

SAMMY MEDORA
Partner

Mumbai : 20th May, 1997.

Balance Sheet as at 31st March, 1997

(Rs. lacs)

	Schedule	As at 31.03.1997	As at 31.03.1996
CAPITAL AND LIABILITIES			
Capital	1	200,00	200,00
Reserves and Surplus	2	43,98	21,08
Deposits	3	1,279,07	685,70
Borrowings	4	199,28	45,22
Other Liabilities and Provisions	5	92,93	40,29
Total		1,815,26	992,29
ASSETS			
Cash and balances with Reserve Bank of India	6	178,25	107,15
Balances with Banks and Money at Call and Short notice	7	84,99	62,93
Investments	8	729,72	314,28
Advances	9	575,26	368,62
Fixed Assets	10	98,67	76,03
Other Assets	11	148,37	63,28
Total		1,815,26	992,29
Contingent Liabilities	12	5,301,81	2,010,45
Bills for Collection		183,55	21,82

The attached notes form part of the financial statements

In terms of our attached report of even date

FOR **BHARAT S RAUT & CO.**
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

SAMMY MEDORA
Partner

S. S. THAKUR
Chairman

SANJAY B. DONGRE
Asst. Vice President-Legal &
Company Secretary

ADITYA PURI
Managing Director

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
J. H. JACKSON
P. W. DEER
Dr. (Mrs.) AMLA SAMANTA
Directors

Date : 20th May, 1997
Place : Mumbai.

Profit and Loss Account for the year ended 31st March, 1997



(Rs. lacs)

	Schedule	Year ended 31.03.1997	Year ended 31.03.1996
I. INCOME			
Interest earned	13	161,74	114,56
Other income	14	31,59	13,53
Total		193,33	128,09
II. EXPENDITURE			
Interest expended	15	87,18	70,84
Operating expenses	16	42,18	22,67
Provisions & Contingencies (Includes Income tax provision of Rs. 17,53 lacs (previous year Rs. 7,94 lacs))	17	23,47	9,26
Total		152,83	102,77
Profit before Preliminary/Issue expenses		40,50	25,32
Amortisation of Preliminary expenses		—	(1,12)
Amortisation of Share issue expenses		—	(3,62)
Amortisation of Preoperative expenses		—	(30)
Profit after Preliminary/Issue expenses		40,50	20,28
III. Profit			
Net Profit for the year		40,50	20,28
Profit brought forward		16,86	64
Total		57,36	20,92
IV. Appropriations			
Transfer to Statutory Reserve		10,13	4,06
Balance carried over to balance sheet		29,63	16,86
Proposed Dividend (includes tax on dividend)		17,60	—
Total		57,36	20,92
V. Earnings per Equity Share (Rupees)	18	2.03	1.04

In terms of our attached report of even date

FOR **BHARAT S RAUT & CO.**
Chartered Accountants

SAMMY MEDORA
Partner

FOR AND ON BEHALF OF THE BOARD

S. S. THAKUR
Chairman

SANJAY B. DONGRE
Asst. Vice President-Legal &
Company Secretary

ADITYA PURI
Managing Director

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
J. H. JACKSON
P. W. DEER
Dr. (Mrs.) AMLA SAMANTA
Directors

Date : 20th May, 1997
Place : Mumbai.

Schedules to the Accounts

(Rs. lacs)

	As at 31.03.1997	As at 31.03.1996
SCHEDULE 1 - CAPITAL		
Authorised Capital (30,00,00,000 Equity shares of Rs. 10/- each)	300,00	300,00
Issued Capital (20,00,00,000 Equity shares of Rs. 10/- each)	200,00	200,00
Subscribed Capital (20,00,00,000 Equity shares of Rs. 10/- each)	200,00	200,00
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	4,22	16
Additions during the year	10,13	4,06
Total	14,35	4,22
II. Balance in Profit and Loss account		
Opening Balance	16,86	64
Additions during the year	12,77	16,22
Total	29,63	16,86
Total	43,98	21,08
(The Capital Adequacy Ratio of the Bank as at 31st March 1997 is 13.02% (Previous year 23.53%) as against The Reserve Bank of India requirement of 8%)		
SCHEDULE 3 - DEPOSITS		
I. Demand Deposits		
(i) From Banks	15	1
(ii) From Others	408,71	226,88
Total	408,86	226,89
II. Savings Bank Deposits	68,67	17,31
III. Term Deposits		
From Others	801,54	441,50
Total	1,279,07	685,70
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	—	38,88
(ii) Other Banks	115,21	—
(iii) Other Institutions and agencies	81,64	72
Total	196,85	39,60
II. Borrowings outside India	2,43	5,62
Total	199,28	45,22
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	30,08	14,55
II. Interest Accrued	10,78	14,17
III. Proposed Dividend	17,60	—
IV. Others (including provisions)	34,47	11,57
Total	92,93	40,29
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	4,58	2,40
II. Balances with Reserve Bank of India In Current Account	173,67	104,75
Total	178,25	107,15

Schedules to the Accounts (contd.)



(Rs. lacs)

	As at 31.03.1997	As at 31.03.1996
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks		
(a) In Current Accounts	9,41	1,41
(b) In Other Accounts	10,20	—
	19,61	1,41
(ii) Money at call and short notice With Banks	25,00	30,00
Total	44,61	31,41
II. Outside India		
(i) Balances with banks In Current Accounts	4,46	2,32
(ii) Money at call and short notice With Banks	35,92	29,20
Total	40,38	31,52
Total	84,99	62,93

SCHEDULE 8 – INVESTMENTS

Investments in India in		
(i) Government securities	365,13	141,24
(ii) Shares	8,58	1,28
(iii) Debentures and Bonds	309,67	142,20
(iv) Others (Certificate of Deposits)	46,34	29,56
Total	729,72	314,28

SCHEDULE 9 – ADVANCES

A. (i) Bills purchased and discounted	44,26	15,25
(ii) Cash Credits, Overdrafts and Loans (repayable on demand)	225,82	111,96
(iii) Term Loans	305,18	241,41
Total	575,26	368,62
B. (i) Secured by tangible assets	359,40	277,67
(ii) Covered by Bank Guarantees	86,66	—
(iii) Unsecured	129,20	90,95
Total	575,26	368,62
C. Advances in India		
(i) Priority Sector	129,95	79,84
(ii) Public Sector	73,14	—
(iii) Others	372,17	288,78
Total	575,26	368,62
(Advances are net of Loan Loss provisions)		

SCHEDULE 10 – FIXED ASSETS

A. Premises		
At cost on 31st March of the preceding year	7,87	—
Additions during the year	30,97	7,87
Deductions during the year	(7)	—
Less: Depreciation to date	(70)	(37)
Total	38,07	7,50
B. Other Fixed Assets (including furniture and fixtures)		
At cost on 31st March of the preceding year	17,89	6,24
Additions during the year	24,43	11,65
Deductions during the year	(12)	—
Less: Depreciation to date	(6,25)	(1,38)
Total	35,95	16,51

Schedules to the Accounts (contd.)

(Rs. lacs)

	As at 31.03.1997	As at 31.03.1996
C. Assets on Lease (Plant and Machinery)		
At cost on 31st March of the preceding year	18,34	—
Additions during the year	6,26	18,34
Less: Depreciation to date	(96)	(4)
Lease Adjustment account	(2,17)	(32)
Total	21,47	17,98
D. Capital Work in Progress	3,18	34,04
Total	98,67	76,03
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	29,68	16,66
II. Tax paid in advance/Tax deducted at source	33	—
III. Stationery and stamps	9	22
IV. Bond and share application monies pending allotment	15,03	4,63
V. Security deposits for commercial and residential property	32,31	18,40
VI. Cheques in course of collection	53,90	2,31
VII. Other assets	17,03	21,06
Total	148,37	63,28
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Liability for partly paid investments	25	60
II. Liability on account of outstanding forward exchange contracts	3,736,23	1,585,25
III. Liability on account of outstanding derivative contracts	182,07	—
IV. Guarantees given on behalf of constituents In India	507,00	195,91
V. Acceptances, endorsements and other obligations	686,02	207,38
VI. Other items for which the Bank is contingently liable	190,24	21,31
Total	5,301,81	2,010,45
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	92,09	39,99
II. Income from Investments	61,95	42,90
III. Interest on inter bank funds	7,13	31,59
IV. Others	57	8
Total	161,74	114,56
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	20,99	7,30
II. Profit on Sale of Investments	4,54	1,45
III. Profit on sale of land, building and other assets	1	—
IV. Profit on exchange transactions	6,04	4,40
V. Miscellaneous Income	1	38
Total	31,59	13,53
SCHEDULE 15 - INTEREST EXPENDED		
Interest on Deposits	71,11	59,23
Interest on RBI/Inter-bank borrowings	16,07	11,61
Total	87,18	70,84
SCHEDULE 16 - OPERATING EXPENSES		
Payments to and provisions for employees	10,19	4,68
Rent, Taxes and Lighting	9,78	7,16
Printing & Stationery	2,66	1,40
Advertisement and Publicity	2,31	58
Depreciation on Bank's property	6,28	1,58
Director's fees, allowances and expenses	1	2
Auditor's fees and expenses	8	8
Law charges	5	3
Postage, Telegram, Telephone etc.	3,33	1,67
Repairs and Maintenance	2,38	65
Insurance	62	56
Other Expenditure *	4,49	4,26
Total	42,18	22,67

*Other Expenditure, inter alia, includes professional fees, travel and hotel charges, entertainment, Registrar and Transfer agency fees and systems management fees.

(Rs. Lacs)

	As at 31.03.1997	As at 31.03.1996
SCHEDULE 17 – PROVISIONS AND CONTINGENCIES		
Tax provision	17,55	7,97
Loan Loss Provisions	3,73	91
Depreciation on Investments	2,19	38
Total	23,47	9,26

SCHEDULE 18 – EARNINGS PER EQUITY SHARE

Earning per equity share have been calculated based on the net profit after taxation of Rs. 40,50,07,000 (1996: Rs. 20,28,21,000) and the weighted average number of equity shares in issue during the year of 20,00,00,000 (1996: 19,48,08,743).

NOTES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1997.

A BASIS OF PREPARATION

The financial statements are prepared on the historical cost convention, on the accrual basis of accounting, and conform to statutory provisions and practices prevailing within the banking industry in India.

B PRINCIPAL ACCOUNTING POLICIES

1 Investments

All Investments which cover both debt and equity investments are classified as 'Current' and are valued in aggregate for each category at lower of cost and market value at the balance sheet date in accordance with Reserve Bank of India guidelines.

2 Advances

Advances are stated net of Loan loss provisions and interest in suspense. Provision for doubtful advances is made in respect of identified advances based on a periodic review and after having considered the provisioning guidelines issued by the Reserve Bank of India. Interest on doubtful advances is credited to an interest suspense account and not recognised in the Profit and Loss account until received.

Provisions and Contingencies includes a general provision to cover unidentified risks made on a prudential basis inherent in any portfolio of lending relationships.

3 Depreciation

Depreciation is calculated to write-off the assets over their estimated useful lives on a straight line basis as follows:

- improvements to leasehold premises are written off over the period of lease;
- computer equipment and motor cars are written off over four years; and
- all other assets are written off at the rates set out in Schedule XIV to the Companies Act, 1956.

4 Transactions involving foreign exchange

Foreign currency assets and liabilities are translated at the balance sheet date at rates notified by the Foreign Exchange Dealer's Association of India (FEDAI), except for certain deposits received under the Foreign Currency Non-Resident (B) Scheme. Such deposits are translated at the ruling spot rate when swapped into rupee funds, for a period not exceeding the maturity of the deposit. The premium/discount on the swap arising out of the difference in the exchange rate on the swap date and the maturity date of the underlying forward contract, is amortised over the period of the swap.

Foreign exchange contracts (other than deposit swaps) outstanding at the balance sheet date are revalued at rates notified by FEDAI and resulting profits or losses are included in the profit and loss account.

Contingent liabilities at the balance sheet date on account of outstanding foreign exchange contracts are reported at contracted rates.

Income and expenditure items are accounted for at exchange rates ruling on the date of the transaction.

5 Lease Accounting

Lease income is recognised based on the Internal Rate of Return method over the primary period of the lease and accounted for in accordance with the guidelines issued by The Institute of Chartered Accountants of India (ICAI).

6 Retirement Benefits

Provision for retirement benefits for gratuity and superannuation funds is made based on independent actuarial valuation, to recognise the cost of pensions on a systematic basis over the employees service lives. Contribution to the provident fund is recognised when due.

7 Fees and commission income

Fees and commission income are recognised when due, except for guarantee commission which is recognised over the period of the guarantee.

8 Net Profit

The net profit in the profit and loss account is after provision for any depreciation in the value of investments, provision for taxation and other necessary provisions.

9 Comparative figures

Certain comparative figures are reclassified to conform with the current year's presentation.

In terms of our attached report of even date

FOR BHARAT S RAUT & CO.
Chartered Accountants

SAMMY MEDORA
Partner

FOR AND ON BEHALF OF THE BOARD

S. S. THAKUR
Chairman

SANJAY B. DONGRE
Asst. Vice President – Legal
& Company Secretary

Date : 20th May, 1997
Place : Mumbai.

ADITYA PURI
Managing Director

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
J. H. JACKSON
P. W. DEER
Dr. (Mrs.) AMLA SAMANTA
Directors

Cash Flow Statement

for the year ended 31st March, 1997

(Rs. lacs)

	1996-97	1995-96
Cash flows from operating activities		
Net profit before income tax	58,03	28,22
Adjustment for :		
Depreciation and lease charge for the year	8,13	1,58
Depreciation on investments	2,19	38
Loan Loss provisions	3,73	91
Preliminary expenses amortised	—	1,12
Share issue expenses amortised	—	3,61
Preoperative expenses amortised	—	30
Profit on sale of fixed assets	(1)	—
	<u>72,07</u>	<u>36,12</u>
Adjustments for :		
(Increase) in Investments	(417,63)	(93,32)
(Increase) in Advances	(210,37)	(271,51)
Increase in Borrowings	154,06	5,10
Increase in Deposits	593,37	395,94
(Increase) in Other assets	(93,57)	(31,40)
Increase/(Decrease) in Other liabilities and provisions	35,04	(3,77)
	<u>132,97</u>	<u>37,16</u>
Direct taxes paid	(9,05)	(8,30)
Preliminary, pre-operating and share issue expenses incurred	—	(2,68)
Net cash flow from operating activities	<u>123,92</u>	<u>26,18</u>
Cash flows from investing activities		
Purchase of fixed assets	(30,80)	(56,13)
Proceeds from sale of fixed assets	4	—
Net cash used in investing activities	<u>(30,76)</u>	<u>(56,13)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	—	50,00
Share application money transferred to Share Capital	—	(50,00)
Share application money refunded on allotment of shares	—	(1,336,60)
Net cash generated from financing activities	<u>—</u>	<u>(1,336,60)</u>
Net increase/(decrease) in cash and cash equivalents	<u>93,16</u>	<u>(1,366,55)</u>
Cash and cash equivalents at 1st April	<u>170,08</u>	<u>1,536,63</u>
Cash and cash equivalents as at 31st March	<u>263,24</u>	<u>170,08</u>

n terms of our attached report of even date

FOR BHARAT S RAUT & CO.
Chartered Accountants

SAMMY MEDORA
Partner

FOR AND ON BEHALF OF THE BOARD

S. S. THAKUR
Chairman

SANJAY B. DONGRE
Asst. Vice President - Legal
& Company Secretary

Date : 20th May, 1997
Place : Mumbai.

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J. H. JACKSON
P. W. DEER
Dr. (Mrs) AMLA SAMANTA
Directors



Regd. Office : Sandoz House, Dr. Annie Besant Road,
Worli, Mumbai 400 018

ENTRANCE PASS

(to be presented at the entrance)

3rd Annual General Meeting at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020
on Thursday, 24th July, 1997 at 3.00 p.m.

Ledger Folio No.....Signature.....
Only shareholders / proxies / representatives are allowed to attend the meeting.



Regd. Office : Sandoz House, Dr. Annie Besant Road,
Worli, Mumbai 400 018

PROXY FORM

I / We
of in the district of being a member(s) of the above named
Bank, hereby appoint of
in the district of or failing him of in the district
of as my / our proxy to attend and vote for me / us and on my / our behalf at the Third Annual General
Meeting of the Bank to be held on Thursday, 24th July, 1997 and at any adjournment thereof.
Ledger Folio No.....No. of shares held.....

Affix
30 paise
Revenue
Stamp

Signed this day of 1997.

Signature

Note : This form duly completed should be deposited at the Registered Office of the Bank at Mumbai not later than 48 hours before the
time of the meeting.



BANK ACCOUNT PARTICULARS

I / We, am/are holding shares against Folio No. and do hereby authorise HDFC
BANK to print the following details on my/our Dividend Warrant.

Account Type: Savings/Current

Account No:

Bank Name:

Branch:

Mail To:

MCS Limited, Unit: HDFC Bank.,
Sri Venkatesh Bhawan, Plot No. 27, Road No. 11,
M.I.D.C. Andheri Area, (East), Mumbai 400 093.

Signature of Shareholder

Shareholders' Information

1. Dates of book closure 2nd July, 1997 to 24th July, 1997 (both days inclusive)
2. Date and venue of the annual general meeting at 3.00 p.m. on 24th July, 1997, at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.
3. Dividend payment On or after 25th July, 1997 but within the statutory limit.
4. Listing on stock exchanges at Mumbai, Ahmedabad and National Stock Exchange.
5. Registered office Sandoz House, Dr. A.B. Road, Worli, Mumbai 400 018.
6. Stock market data

Monthly high and low quotations as well as the volume of shares traded at the National Stock Exchange are as follows:-

Period	Highest Rs.	Lowest Rs.	Volume No.
April, 96	41.00	32.40	4625300
May, 96	37.75	32.00	2882700
June, 96	41.70	33.75	8707500
July, 96	40.25	32.90	10699000
August, 96	38.00	33.25	1871400
September, 96	38.00	35.10	1440300
October, 96	40.00	33.05	1359600
November, 96	40.00	36.05	920800
December, 96	41.95	36.85	762100
January, 97	52.75	40.50	3532500
February, 97	49.55	43.80	2215500
March, 97	56.80	45.00	4359600

7. Share transfers and other communication regarding share certificates, dividends, and change of address etc. may be addressed to : MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C. Area, Andheri (East), Mumbai 400 093.
8. Share transfer system
Share Transfers would be registered and returned within a period of 30 days from the date of receipt, if the documents are valid in all respects. The Share Transfer Committee generally meets every week.
The total number of shares transferred during the year 1996-97 was 1,99,03,600.

9. Distribution of shareholding as on 31st March, 1997

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares	% to shareholding
upto 500	370404	97.73	55994670	28.00
501 to 1,000	5067	1.33	4199300	2.10
1,001 to 2,000	1507	0.40	2377400	1.19
2,001 to 3,000	378	0.10	975500	0.49
3,001 to 4,000	198	0.05	718900	0.36
4,001 to 5,000	286	0.08	1315000	0.66
5,001 to 10,000	602	0.16	4539600	2.26
10,001 and above	561	0.15	129879630	64.94
Total	379003	100.00	200000000	100.00

10. Categories of shareholders as on 31st March, 1997

Category	No. of Shareholders	Voting strength (Percentage)	No. of shares
Individuals.	376417	42.87	85748060
Companies	1925	1.57	3145900
Promoters	3	25.78	51550000
Strategic Alliance Partner	2	20.00	40000000
FI's, NRI's, OCBs	348	6.97	13931530
Directors	14	0.50	1002110
Mutual fund, Banks, FI's	294	2.31	4622400
	379003	100.00	200000000

HDFC BANK LIMITED

BRANCH NETWORK

Mumbai

- Mistry Bhavan, D. Vacha Road, 122, Backbay Reclamation, Churchgate, Mumbai 400 020.
Tel: 204 5605/34 Fax: 204 5658.
- *101-104, Tulsiani Chambers, Free Press Marg, Nariman Point, Mumbai 400 021.
Tel: 285 1515 Fax: 285 5949.
- Sandoz House, Dr. Annie Besant Road, Worli, Mumbai 400 018.
Tel: 495 1616 Fax: 495 1771.
- Tirupati Apartments, Shop No. 10, Bhulabhai Desai Road, Mumbai 400 026.
Tel: 4962525/1318/1384/1319 Fax: 496 1383.
- EL DORADO Kashinath Dhuru Marg., Opp. Veer Savarkar Marg, Prabhadevi, Mumbai 400 025.
Tel: 431 6902/3/4 Fax: 431 6905.
- Swagatam, Opp. Khar Police Station, S.V. Road, Khar (West), Mumbai 400 052.
Tel: 605 1414/1122 Fax: 604 5656.
- Maya, 5A, Duplex, Plot No. 43, 15th Road, Chembur, Mumbai 400 071.
Tel: 528 4007/2557 Fax: 528 2545.
- HDFC Annexe, Plot No. 82, Sector 17, Vashi, Navi Mumbai 400 703.
Tel: 768 2081/1348 Fax: 768 1637.
- S-18, Mulund Industrial Services CHS Ltd., Nahur Road, Opp. Gala Nagar, Mulund (W), Mumbai 400 050. Tel: 590 1088/590 7237/38 Fax: 590 1089.
- Shop No. 3, Pali Hill Navroz Premises, Co-op. Soc. Ltd., 66, Pali Hill Road, Bandra (W), Mumbai 400 050. Tel: 604 1863/1933 Fax: 604 1964.
- # The Amaltas Co-op. Soc. Ltd., Juhu Versova Link Road, Andheri (W), Mumbai 400 049.

Cochin

- # HDFC Annexe, M. G. Road, Ravipuram, Ernakulam, Kochi-682 015.
Tel: 369 169, 380 343/364/394/371.

Hyderabad

- 6-1-70 Lakdi-Ka-Pul, Hotel Ashoka Complex, Hyderabad 500 001.
Tel: 212 221/4. Fax : 241550.

Pune

- Netrali Apartments, Opp. Bhandarkar Institute, Law College Road, Pune 411 004.
Tel: 351 334/350 678 Fax: 350 720.

New Delhi

- * Hindustan Times House, 5th Floor, 18/20 K.G. Marg, New Delhi 110 001.
Tel: 373 1212 Fax: 372 5993.
- HDFC House, B6/3, Safdarjung Enclave, Opp. Deer Park, New Delhi 110 029.
Tel: 619 1989/92 Fax: 619 1990.
- Nanz Super Market, Archana Shopping Complex, 1st Floor, Greater Kailash-I, New Delhi 110 048.
Tel: 623 3388/89/90 Fax: 623 3392.
- 79, Old Rajinder Nagar Market, New Delhi 110 060. Tel: 576 9329/30 Fax: 576 9326.
- Marwaha Mansion, Plot No. 5, Community Centre, Vasant Vihar, New Delhi 110 057.
Tel: 688 0492/3/4 Fax: 688 0495.

Chennai

- ITC Centre, 759, Mount Road, Chennai 600 002. Tel: 855 1313/1212 Fax: 855 0233.
- 12, M.G. Road, Shastri Nagar, Adyar, Chennai 600 020.
Tel: 491 4360/490 1345 Fax: 490 1343.
- Plot No. 4522, Door No. Y206, Fifth Avenue, Annanagar, Chennai 600 040.
Tel: 628 7445/46 Fax: 628 7448.

Calcutta

- * Cooke & Kelvey Building, 1st Floor, 20, Old Court, House Street, Calcutta 700 001.
Tel: 243 0555/57/89 Fax: 243 0618.
- 9B, Wood Street, Next to Saturday Club, Calcutta 700 016.
Tel: 240 9140/9337 Fax: 240 9202.
- BA3 Salt Lake City, Sector 1, Calcutta 700 064.
Tel: 358 3204/358 3691/92/35. Fax : 3584320.

Bangalore

- HDFC House, 51, Kasturba Road, Bangalore 560 001.
Tel: 227 5572/73 Fax: 221 6874.

Ahmedabad

- HDFC House, 1st Floor, Near Mithakali Six Roads, Navrangpura, Ahmedabad 380 009.
Tel: 656 3465 Fax: 656 3464.

No ATM facility at these branches.
Opening Shortly.