

ANNUAL REPORT 1995-96



HDFC BANK LTD.

HIGHLIGHTS 1995-96

- Actual results exceed the prospectus forecast.
- Healthy capital adequacy ratio at 23.5%.
- No non-performing assets.
- All investments are held in current category and are marked to market.
- Highest rating (PR 1+) for Certificates of Deposit.



HDFC BANK LTD.

2nd ANNUAL GENERAL MEETING

Date : 14th August, 1996
Day : Wednesday
Time : 2.30 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. Philip W. Deer
Mr. Philip J. S. Wise
Mr. Jagdish S. Bajjal
Mr. Nasser M. Munjee
Mr. Keki M. Mistry
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

- NOTICE is hereby given that the Second 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 Wednesday, 14th August, 1996 at 2.30 p.m. to transact the
- following business:

• ORDINARY BUSINESS

- 1. To consider and adopt the audited
- Balance Sheet as at 31st March, 1996
- and Profit and Loss Account for the
- year ended on that date and the
- Reports of the Directors and Auditors.
- 2. To appoint a Director in place of
- Mr. N.M. Munjee who retires by
- rotation and, being eligible offers
- himself for re-appointment.
- 3. To appoint a Director in place of
- Mr. K.M. Mistry 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 Dr.(Mrs.) Amla
- Samanta 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 a Special
- Resolution:
- "RESOLVED THAT pursuant to
- Section 31 and other applicable
- provisions, if any, of the Companies

Act, 1956 the Articles of Association of the Bank be and are hereby amended as under :

a) Article 26 :

In Article 26, the words 'two months' appearing after the words ' - - - - - allotment of any shares and within' be substituted by the words 'one month'.

b) Article 56 :

In Article 56, the words, 'two months' appearing after the words ' - - - - - transfer of any shares, they shall, within' be substituted by the words 'one month'.

c) Article 71 :

In Article 71 the last sentence 'Provided however that - - - - - Central Government' be substituted with the following sentence :

'Provided however that Debentures carrying the right of conversion into or allotment of shares shall not be issued to anyone except with the consent accorded by the Bank in General Meeting.'

d) Article 183 :

The present Article 183 be deleted and be substituted by the following :

183 : 'No unclaimed or unpaid dividend shall be forfeited by the Board.'

By Order of the Board

SANJAY B. DONGRE

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

Date : 31st May, 1996

Place: Bangalore.



HDFC BANK LTD.

• NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- 2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting is appended hereto.
- 3. The Register of Members and Share Transfer Books of the Bank will remain closed from 24th July, 1996 to 14th August, 1996 both days inclusive.
- 4. Members are requested to intimate any changes in their address to the Registrars and Share Transfer Agents, MCS Limited, Unit: HDFC Bank Limited; Sri Venkatesh Bhawan, Plot No. 27, Road No.11, MIDC Area, Andheri (East), Mumbai 400 093.
- 5. 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 10.30 a.m. and 12.30 p.m. upto the date of the Annual General Meeting.

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

Annexure to the Notice

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

Item No. 5

The Board of Directors had appointed Dr. (Mrs.) Amla Samanta as an Additional Director of the Bank with effect from 26th April, 1996 in order to represent the Small Scale Industries Sector on the Board and comply with the requirement of Section 10A of the Banking Regulation Act, 1949. She holds the office upto the date of Second Annual General Meeting. Dr. (Mrs.) Amla Samanta has considerable experience in the SSI sector and her appointment as a Director of the Bank has been approved by the Reserve Bank of India.

As required under section 257 of the Companies Act, 1956 a notice has been received by the Bank from a Member signifying his intention to propose Dr. (Mrs.) Amla Samanta as a candidate for the office of Director of the Bank. The Bank has also received the deposit of Rs. 500/- as required under the Act.

The Board of Directors recommend her appointment as a Director.

None of the Directors of the Bank, other than Dr. (Mrs.) Amla Samanta, is in any way concerned or interested in the passing of the Resolution.

Item No. 6

As stipulated by The Stock Exchange, Mumbai a few articles of the Articles of Association of the Bank need to be amended.

To fall in line with standard listing agreement with the Stock Exchanges it is proposed to amend Articles 26 and 56 of the Articles of Association to provide for a period of one month for registering or

refusing to register the transfer of shares. Article 71 inter alia requires the Bank to seek prior approval of the Central Government before issuing debentures carrying the right of conversion into shares to any one other than public financial institutions. Consequent to the amendment in this Article as mentioned in the Resolution at item no. 6 of this Notice, the Bank will, if required, be able to issue debentures carrying right of conversion into shares to any one without Central Government's approval. Such issue of debentures will however be subject to the approval of the shareholders by way of Special Resolution.

Article 183 provides that unclaimed dividend shall not be forfeited by the Board unless claim becomes barred by law. After the proposed amendment any unclaimed or unpaid dividend cannot be forfeited by the Board.

The Board of Directors recommend the resolution for approval of the Members.

None of the Directors of the Bank, is in any way, concerned or interested in the passing of the Resolution.

By Order of the Board

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

Date : 31st May, 1996

Place : Bangalore.

Directors' Report



HDFC BANK LTD.

• Your Directors have pleasure in presenting the Second Annual Report on the results of the Bank, together with the audited accounts for the year ended 31st March, 1996.

BANK'S PERFORMANCE

• HDFC Bank completed its first full year of operation during the year under review and total advances were Rs. 3686 million and total investments Rs. 3143 million as of 31st March, 1996. During this period, the Bank has established seven branches and three extension counters in Mumbai, Delhi, Madras and Ahmedabad. Since then, branches have also been added at Pune, Calcutta, Mumbai and Bangalore expanding the Bank's geographical reach across India.

• The year 1995-96 witnessed certain structural changes in the economy

resulting in tight liquidity conditions, higher volatility in the foreign exchange and money markets and an overall period of adjustment in the banking industry. Despite the tough environment, the Bank's financial performance in terms of balance sheet growth and profitability has surpassed the projections made in the prospectus issued at the time of the Public Issue last year.

The key performance parameters are as under :-

Rs./Million

	For the period 16th Jan., 1995 to 31st March, 1995	For the year ended 31st March, 1996	Forecast in the prospectus for the year ended 31st March, 1996
Deposits and other borrowings	6820.21	7309.15	4400.00
Advances	980.02	3686.18	2920.00
Total Income	142.80	1290.90	749.00
Profit before depreciation & tax	14.25	297.98	225.50
Net Profit	8.01	202.82	179.00
Appropriations have been made as under :-			
Transfer to Statutory Reserve	1.60	40.56	35.80
Balance in Profit and Loss Account carried over to Balance Sheet	6.41	168.67	143.20

DEPOSIT GROWTH

• As of 31st March, 1996, total deposits were Rs. 6857 million compared with Rs. 6419 million last year. Last year's deposits included stockinvest deposits relating to the Bank's public equity issue which opened on 14th March, 1995 and which was oversubscribed by a record 53 times. Of the total deposits of Rs. 6419 million as on 31st March, 1995, Rs. 3521 million were in respect of such stockinvest deposits. Adjusting for this, total deposits have

increased by 137% during the year ended 31st March, 1996.

EARNINGS AND PORTFOLIO QUALITY

In a highly competitive banking environment, the Bank is more concerned with a steady growth in the quality of its asset portfolio backed by strong and state of the art systems rather than a growth in numbers alone. HDFC Bank's revenues are fairly well diversified from a

Directors' Report *(Contd.)*

- range of products and customer segments, and include not only a substantial positive spread from lending, but also fees, commissions and foreign exchange profits.

- On the lending and other credit exposures, we are happy to report that HDFC Bank has no non-performing assets as of 31st March, 1996 and the quality of its overall credit portfolio remains strong.
- In respect of the securities and investment holdings the entire portfolio of Government securities has been "marked to market" and is held in the "current" category as against the Reserve Bank of India requirement of only 50% for such "current" categorisation. These indicate the conservative accounting policies followed by the Bank in its initial years of operation.

DIVIDEND

- In its initial stage of operations the Bank requires substantial investments in building the branch network, investing in appropriate technology and creating related infrastructure to build strong foundations for its future business strategy.
- To enhance future shareholder value on the basis of present investments your Directors recommend that no dividend be paid for the year ended 31st March, 1996.

ISSUE OF CAPITAL

- Equity shares of Rs. 500 million at par were allotted in May 1995 following the Bank's public issue of equity capital. As a result, HDFC Bank's total paid-up capital is Rs. 2000 million. This strong capital base provides tremendous strength to the Bank's operations as reflected in the capital adequacy ratio which was a healthy 23.53% as of 31st March, 1996.

BUSINESS DEVELOPMENTS

- HDFC Bank has made significant progress in a number of key business areas that it has focussed attention in its first year of operations.

Corporate Banking

- In the Corporate Banking business, HDFC

Bank provides a wide range of banking services including working capital finance, trade services, corporate finance and merchant banking to large, blue chip manufacturing companies. In this highly competitive segment based on its superior product delivery service levels and customer orientation, HDFC Bank has already entered the banking consortia of over 50 corporates, including some leading multinational companies, flagship companies of local business houses and strong public sector companies.

Treasury & Capital Markets

Within this business, the Bank has three main product areas-Foreign Exchange & Derivatives, Money Markets & Debt Trading and Equities & Research. HDFC Bank has set up a state-of-the-art dealing room to handle all transactions possible in Indian financial markets and has established itself as a player capable of providing sophisticated product structures, sound advice and fine pricing as a result of its close working relationship with NatWest treasuries around the world.

Custodial Services

With the expectation of a resurgence in the capital markets in 1996-97, HDFC Bank is well positioned to provide efficient and reliable custodial services to Foreign Institutional Investors (FIIs), Mutual Funds and other investors. Based on the state-of-the-art hardware and software, and a highly experienced team, HDFC Bank has been able to secure mandates not only from new entrants in the Indian capital markets but also from institutions that have shifted from other custodians in the domestic markets.

Retail Banking

On the retail banking side, HDFC Bank now has over 19,000 deposit accounts and is currently adding 2,500 new accounts per month. The Bank provides various sophisticated and customer friendly facilities and services to all customers, including multi-branch access, ATMs, and cluster deposits. Based on the

Directors' Report *(Contd.)*



HDFC BANK LTD.

- strong HDFC brand equity, superior
- customer service, quicker turnarounds and
- the expanding branch network, your Bank
- is well positioned to establish a significant
- niche for itself in retail banking. The Bank
- believes that its growing retail customer
- base is the primary source for stable, long-
- term liabilities so necessary to support
- balance-sheet growth.

RATING

- HDFC Bank's programme for Certificates
- of Deposit (CDs) was rated by the Credit
- Analysis & Research Ltd. (CARE). The CDs
- were awarded a PR1+rating which is the
- highest rating for short term instruments
- indicating superior capacity for
- repayment.

PARTICULARS OF EMPLOYEES

- The information required under Section
- 217 (2A) of the Companies Act, 1956 with
- the Companies (Particulars of Employees)
- Rules, 1975 is given in the Annexure
- appended hereto and forms part of this
- Report. The Bank had 293 employees as
- at 31st March, 1996.

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 made full use of information
- technology in its operations.

DIRECTORS

- In accordance with the provisions of the
- Companies Act, 1956 and the Articles of
- Association of the Bank, Mr. N. M. Munjee
- and Mr. K. M. Mistry retire by rotation at
- the ensuing Annual General Meeting and
- are eligible for re-appointment.

- Dr. (Mrs.) Amla Samanta who possesses
- considerable experience in small scale
- industries sector was appointed as an
- Additional Director of the Bank under

Article 127 of the Articles of Association of the Bank with effect from 26th April, 1996 and holds office upto the date of the ensuing Annual General Meeting. A Notice in writing has been received from a member expressing his intention to propose Dr. (Mrs.) Amla Samanta as a candidate for the office of Director in the Bank. Your Directors have pleasure in recommending her appointment.

AUDITORS

Bharat S. Raut & Co., Chartered Accountants, who were appointed by the Members at their First Annual General Meeting as the statutory auditors of the Bank for the year 1995 - 96 will be retiring on the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Members are requested to consider their re-appointment at a remuneration to be decided by the Board of Directors, for the financial year ending 31st March, 1997, as set out in the Notice convening the Meeting.

APPRECIATION

The Directors would like to place on record their appreciation for the support received from the Reserve Bank of India and other Government and regulatory institutions. Employees at all levels have through their sustained efforts during the year contributed in large measure to the performance and growth of the Bank. The Directors would like to place on record their sincere appreciation to all employees and look forward to their continued support.

On behalf of the Board of Directors

S. S. THAKUR
Chairman

Date : 31st May, 1996.

Place : Bangalore.

Directors' Report *(Contd.)*



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On behalf of the Board of Directors

S. S. THAKUR
Chairman

Date : 31st May, 1996.

Place: Bangalore.

Annexure to the Directors' Report

- STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975
- AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1996.

S.N.	Name of Employee/ Date of joining	Designation	Qualifications	Age	Experience years	Remu- neration	Last Employment
EMPLOYED THROUGHOUT THE YEAR AND IN RECEIPT OF REMUNERATION IN AGGREGATE OF NOT LESS THAN RS. 300,000 P.A.							
1.	A. Rajan 1/9/94	Vice-President — Country Operations	B.Sc.	44	22	8,63,509	Bank of America
2.	Abhay Alma 2/1/95	Vice-President — Equity Services	Grad. from National Defence Academy	34	10	10,13,524	INDSEC Securities & Finance Ltd.
3.	Aditya Puri 12/9/94	Managing Director	B.Com., A.C.A.	45	23	19,02,584	Citibank, Malaysia
4.	Ashish Parthasarathy 1/11/94	Vice-President — Money Markets	B.E., P.G.D.M.	28	7	5,95,443	INDSEC Investments Ltd.
5.	Atul Prakash 9/1/95	Vice-President — Merchant Banking	B.A., M.B.A. Intl. Mgmt. Inst. Geneva	39	16	4,80,516	Credit Capital Finance Corpn. Ltd.
6.	Bharat Shah 9/12/94	Executive Director	B.Sc., H.N.D.	49	25	16,38,139	Union Bank of Switzerland, Singapore
7.	C. N. Ram 1/7/94	Vice-President — Information Technology	B.Tech. Electronics, PGDM	38	16	6,13,310	Bank of America
8.	G. Subramanian 4/1/95	Vice-President — Audit & Compliance	B.Sc., CAIIB, Cert. Course in French	49	24	6,05,941	Reserve Bank of India.
9.	H. Srikrishnan 2/12/94	Vice-President — Branch Operations	B.Com. M.B.A.	34	14	5,47,231	Emirates Bank Intl. Ltd.
10.	Harish Engineer 12/7/94	Executive Director	B.Sc., D.B.M.	47	26	8,63,546	Bank of America
11.	Luis Miranda 16/8/94	Vice-President — Foreign Exchange & Derivatives	M.Com., A.C.A. M.B.A.	34	7	6,92,624	Hongkong Bank
12.	Paresh Sukthankar 1/9/94	Vice-President — Credit & Market Risk	B.Com., M.M.S, LLB (Gen.)	33	11	7,77,772	Citibank
13.	S. Ramanathan 1/9/94	Vice-President — Custodial Services	B.Com., LLB, A.C.A., A.C.S.	35	12	3,89,685	Stock Holding Corp. of India Ltd.
14.	Sameer Tivare 23/1/95	Asst. Vice-President— Equity Research	B.Tech., M.B.A.	27	5	4,12,738	INDSEC Share and Stock Broking Ltd.
15.	Samir Bhatia 19/9/94	Vice-President — Corporate Banking	B.Com., A.C.A. ICWA	32	13	5,72,627	Citibank
16.	Shailendra Bhandari 16/8/94	Executive Director	B.A. (Hons.), M.B.A.	37	13	19,22,183	Citibank
17.	Vinod Yennemadi 4/4/94	Executive Director	B.Com. (Hons.), F.C.A. England & Wales., A.C.A.	53	28	11,25,873	Kalyani Steels Ltd.

EMPLOYED FOR PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION AT THE RATE OF NOT LESS THAN RS. 25,000 P.M.

1.	B.Chandramouli 16/6/95	Asst. Vice-President — Branch Oprs. (Madras)	B.Sc., CAIIB.	35	12	3,26,257	Bank of America
2.	Girish Marathe 3/4/95	Vice-President — Retail Banking	B.Tech., PGDM.	37	12	4,82,128	Hongkong Bank
3.	Kaizad Bharucha 4/10/95	Asst. Vice-President— Corporate Banking	B.Com.	31	10	1,11,123	SBI Commercial & Intl. Bank Ltd.
4.	Naresh Malhotra 2/5/95	Vice-President— Corporate Banking-(Delhi)	B.Com., A.C.A.	49	23	3,59,687	Central Bank of India
5.	Pramod Sadarjoshi 16/10/95	Vice-President— Human Resources	M.A. P.M. & IR	36	12	2,86,813	Citibank
6.	Roddam Venkatesh 27/5/95	Asst. Vice-President — Branch Oprs. (Delhi)	B.Com., M.B.A.	33	9	4,61,538	Middle East Bank Ltd. Dubai
7.	Sanjay B. Dongre 2/5/95	Asst. Vice-President — Legal & Company Secretary	B.Com., LLB., A.C.S.	38	15	2,43,282	Boehringer Mannheim India Ltd.
8.	Sanjay Garg 14/7/95	Asst. Vice-President — Custodial Services	B.Sc.	30	7	1,44,322	S.D. Javeri
9.	Sashi Jagdishan 5/2/96	Manager-Finance	B.Sc., M.A., A.C.A.	31	10	61,281	Deutsche Bank
10.	Sunil Deshpande 10/10/95	Asst. Vice-President— Branch Operations	B.Com., CAIIB. Dip in FM	36	18	1,24,077	Saraswat Co-op. Bank Ltd.

Notes:

1. Remuneration shown above includes Salary, Allowances, Medical, Leave Travel Expenses and monetary value of perquisites as per Income-tax rules.
2. Nature of employment is contractual.
3. Other terms and conditions: All appointments are terminable by one/three months' notice as the case may be on either side.
4. None of the employees mentioned above is a relative of any Director of the Bank.

On behalf of the Board of Directors

Date : 31st May, 1996.
Place : Bangalore.

S. S. THAKUR
Chairman

Auditors' Report



HDFC BANK LTD.

• **On the financial statements of 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, 1996 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 the 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 at 31st March, 1996 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 in so far 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 Bombay Stock Exchange.

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

SAMMY MEDORA
Partner

Mumbai : 31st May, 1996

Balance Sheet as at 31st March, 1996

(Rs. '000)			
	Schedule	As at 31.03.1996	As at 31.03.1995
CAPITAL AND LIABILITIES			
Capital	1	2,000,000	1,500,000
Reserves & Surplus	2	210,840	8,019
Deposits	3	6,856,956	6,419,012
Borrowings	4	452,193	401,194
Other Liabilities and Provisions	5	402,948	25,609,610
Total		9,922,937	33,937,835
ASSETS			
Cash and balances with Reserve Bank of India	6	1,071,533	2,056,329
Balances with Banks and Money at Call & Short notice	7	629,313	13,309,953
Investments	8	3,142,775	2,213,377
Advances	9	3,686,185	980,021
Fixed Assets	10	760,339	214,733
Other Assets	11	632,792	15,163,422
Total		9,922,937	33,937,835
Contingent Liabilities	12	20,104,542	1,582,591
Bills for Collection		218,215	1,068

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

SAMMY MEDORA
Partner

FOR AND ON BEHALF OF THE BOARD

S. S. THAKUR
Chairman

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

ADITYA PURI
Managing Director

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

Date : 31st May, 1996
Place : Bangalore

Profit and Loss Account for the year ended 31st March, 1996



HDFC BANK LTD.

(Rs. '000)

	Schedule	Year ended 31.03.1996	Period ended 31.03.1995
I. INCOME			
Interest earned	13	1,155,585	126,128
Other income	14	135,314	16,674
Total		1,290,899	142,802
II. EXPENDITURE			
Interest expended	15	708,379	47,665
Operating expenses	16	226,657	59,470
Provisions & Contingencies		102,651	4,060
Total		1,037,687	111,195
Profit before Preliminary/Issue expenses		253,212	31,607
Amortisation of Preliminary expenses		(11,212)	(11,212)
Amortisation of Share issue expenses		(36,146)	(9,343)
Amortisation of Preoperative expenses		(3,033)	(3,033)
Profit after Preliminary/Issue expenses		202,821	8,019
III. Profit			
Net Profit for the year		202,821	8,019
Profit brought forward		6,415	—
Total		209,236	8,019
IV. Appropriations			
Transfer to Statutory Reserve		40,564	1,604
Balance carried over to balance sheet		168,672	6,415
Total		209,236	8,019

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

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

ADITYA PURI
Managing Director

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

Date : 31st May, 1996
Place : Bangalore

Schedules to the Accounts

(Rs. '000)

	As at 31.03.1996	As at 31.03.1995
SCHEDULE 1 - CAPITAL		
Authorised Capital	3,000,000	3,000,000
(300,000,000 Equity shares of Rs. 10/- each)		
Issued Capital	2,000,000	1,100,000
(200,000,000 Equity shares of Rs. 10/- each)		
Subscribed Capital	2,000,000	1,100,000
(200,000,000 Equity shares of Rs. 10/- each)		
Share Subscription Money received from NatWest Group to be allotted	—	400,000
Total	2,000,000	1,500,000
SCHEDULE 2 - RESERVES & SURPLUS		
I. Statutory Reserve		
Opening Balance	1,604	—
Additions during the year	40,564	1,604
Total	42,168	1,604
II. Balance in Profit and Loss Account		
Opening Balance	6,415	—
Additions during the year	162,257	6,415
Total	168,672	6,415
Total	210,840	8,019
(The Capital Adequacy Ratio of the Bank as at 31st March, 1996 is 23.53% (Previous year 18.62%) as against Reserve Bank of India requirement of 8%).		
SCHEDULE 3 - DEPOSITS		
I. Demand Deposits		
(i) From Banks	89	—
(ii) From Others	2,268,751	335,839
Total	2,268,840	335,839
II. Savings Bank Deposits	173,083	22,998
III. Term Deposits		
(i) From Banks	—	—
(ii) From Others	4,415,033	6,060,175
Total	4,415,033	6,060,175
Total	6,856,956	6,419,012
(Term deposits outstanding as at 31st March, 1995, include Rs. 3,521,495,000 stockinvest deposits received for the equity issue).		
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	388,832	—
(ii) Other Banks	7,200	400,000
(iii) Other Institutions and agencies	396,032	400,000
Total	792,064	800,000
II. Borrowings outside India	56,161	1,194
Total	452,193	401,194

Schedules to the Accounts (Contd.)

(Rs. '000)

	As at 31.03.1996	As at 31.03.1995
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	145,537	384,478
II. Inter-office adjustments (net)	—	—
III. Interest Accrued	141,687	35,980
IV. Others (including provisions)	115,724	29,247
V. Share Application Money	—	25,159,905
Total	402,948	25,609,610
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	24,002	4,487
II. Balances with Reserve Bank of India		
(i) In Current Account	1,047,531	2,051,842
(ii) In Other Accounts	—	—
Total	1,071,533	2,056,329
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE		
I. In India		
(i) Balances with Banks		
(a) In Current Accounts	14,155	5,268
(b) In Other Accounts (Share Application Money-Public Issue)	—	10,344,498
	14,155	10,349,766
(ii) Money at call and short notice		
(a) With Banks	300,000	2,910,000
(b) With Other Institutions	—	50,000
	300,000	2,960,000
Total	314,155	13,309,766
II. Outside India		
(i) Balances with banks in Current Accounts	23,183	—
(ii) Money at call and short notice with Banks	291,975	187
Total	315,158	187
Total	629,313	13,309,953
SCHEDULE 8 - INVESTMENTS		
Investments in India in		
(i) Government securities	1,412,360	1,623,940
(ii) Other approved securities	—	—
(iii) Shares	12,796	—
(iv) Debentures and Bonds	1,421,979	490,250
(v) Subsidiaries and/or joint ventures	—	—
(vi) Others (Certificate of Deposits and Mutual Funds)	295,640	99,187
Total	3,142,775	2,213,377

Schedules to the Accounts *(Contd.)*

(Rs. '000)

	As at 31.03.1996	As at 31.03.1995
SCHEDULE 9 - ADVANCES		
A (i) Bills purchased and discounted	152,453	—
(ii) Cash Credits, Overdrafts and Loans (repayable on demand)	1,119,612	400,021
(iii) Term Loans	2,414,120	580,000
Total	3,686,185	980,021
B. (i) Secured by tangible assets	2,776,685	158,084
(ii) Covered by Bank/Government Guarantees	—	—
(iii) Unsecured	909,500	821,937
Total	3,686,185	980,021
C. Advances in India		
(i) Priority Sector	798,449	—
(ii) Public Sector	—	—
(iii) Banks	—	—
(iv) Others	2,887,736	980,021
Total	3,686,185	980,021

(As at 31st March, 1996, no provisioning was required on the loans and advances portfolio, since all advances are considered realisable).

SCHEDULE 10 - FIXED ASSETS

A. Premises		
At cost on 31st March of the preceding year	—	—
Additions during the year	78,696	—
Deductions during the year	—	—
Less: Depreciation to date	(3,693)	—
	75,003	—
B. Other Fixed Assets (including furniture and fixtures)		
At cost on 31st March of the preceding year	62,455	—
Additions during the year	116,505	62,455
Deductions during the year	—	—
Less: Depreciation to date	(13,798)	(2,172)
	165,162	60,283
C. Assets on Lease (Plant and Machinery)		
At cost on 31st March of the preceding year	—	—
Additions during the year	183,436	—
Deductions during the year	—	—
Less: Depreciation during the year	(459)	—
Less: Lease Adjustment account	(3,194)	—
	179,783	—
D. Capital Work in Progress	340,391	154,450
Total	760,339	214,733

SCHEDULE 11 - OTHER ASSETS

I. Inter-office adjustments (net)	—	—
II. Interest accrued	166,608	120,657
III. Tax paid in advance/Tax deducted at source	—	111
IV. Stationery and stamps	2,153	15
V. Non banking assets acquired in satisfaction of claims	—	—
VI. Others*	464,031	15,042,639
Total	632,792	15,163,422

*Others, inter alia, includes security deposits for office and residential premises, advance to suppliers, rent paid in advance, investment in shares pending allotment and loans to employees.

Schedules to the Accounts (Contd.)



HDFC BANK LTD.

(Rs. '000)

	As at 31.03.1996	As at 31.03.1995
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	—	—
II. Liability for partly paid investments	5,988	—
III. Liability on account of outstanding forward exchange contracts	15,852,578	1,260,270
IV. Guarantees given on behalf of constituents		
(a) In India	1,959,104	160,515
(b) Outside India	—	—
V. Acceptances, endorsements and other obligations	2,073,777	844
VI. Other items for which the Bank is contingently liable	213,095	160,962
Total	20,104,542	1,582,591
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	409,923	12,876
II. Income on Investments	428,988	43,608
III. Interest on balances with Reserve Bank of India and other inter bank funds	315,910	69,461
IV. Others	764	183
Total	1,155,585	126,128
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	73,035	17,400
II. Profit/(loss) on Sale of Investments	14,465	(673)
III. Profit/(loss) on exchange transactions	43,978	(73)
IV. Miscellaneous Income	3,836	20
Total	135,314	16,674
SCHEDULE 15 - INTEREST EXPENDED		
Interest on Deposits	592,298	43,792
Interest on RBI/Inter-bank borrowings	116,081	3,873
Total	708,379	47,665
SCHEDULE 16 - OPERATING EXPENSES		
Payments to and provisions for employees	46,797	10,998
Rent, Taxes and Lighting	71,617	20,298
Printing & Stationery	13,969	1,701
Advertisement and Publicity	5,807	2,684
Depreciation on Bank's property	15,778	2,172
Directors' fees, allowances and expenses	152	92
Auditor's fees and expenses	800	420
Law charges	346	188
Postage, Telegram, Telephone etc.	16,684	1,192
Repairs and Maintenance	6,544	9,592
Insurance	5,588	280
Other Expenditure *	42,575	9,853
Total	226,657	59,470

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

Notes to the Accounts

• NOTES APPENDED TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1996.

• A. PRINCIPAL ACCOUNTING POLICIES

• 1. General

The accompanying financial statements are prepared on the historical cost convention in accordance with generally accepted accounting principles and conform to statutory provisions and practices prevailing within the banking industry in India.

• 2. Investments

All investments are 'Current Investments' and are valued in aggregate for each category at the lower of cost and market value at the balance sheet date in compliance with Reserve Bank of India (RBI) guidelines. Treasury Bills and Certificate of Deposits are valued at carrying cost.

In the current year, investments in bonds of certain public sector units which were hitherto classified as 'Permanent investments' for the period ended 31st March, 1995, have been transferred to 'Current investments'.

• 3. Advances

Advances are stated net of provision for doubtful advances 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 in 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.

• 4. Fixed Assets

Fixed assets (including assets given on lease) are accounted for on historical cost basis and are capitalised on completion of projects.

Depreciation on assets (including assets given on lease) is provided on the straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. However, improvements to leasehold premises are written off over the period of the lease.

• 5. Transactions involving foreign exchange

Foreign currency assets and liabilities are translated on the balance sheet date at the rates notified by the Foreign Exchange Dealer's Association of India (FEDAI), except deposits under Foreign Currency Non-Resident Banks Scheme (FCNR B) which are swapped into rupee funds at the prevailing spot rate on the date of acceptance.

The premium/discount on the swaps arising out of the difference in the exchange rate as on the swap date and the maturity date is amortised over the tenor of the deposits swapped.

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.

• 6. Lease Accounting

Lease income is recognised 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.

• 7. Retirement Benefits

The Bank provides retirement benefits to its employees. In accordance with AS-15 on 'Retirement Benefits' issued by the Institute of Chartered Accountants of India, a charge is made in the Profit and Loss account when the cost is accrued.

• 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.

• B. OTHER NOTES

The Bank was incorporated on 30th August, 1994 and commenced banking operations on 16th January, 1995.

The results for the previous period ended 31st March, 1995 relate to 3 months of banking operations and hence are not comparable with the current year's results.

• 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

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

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Managing Director

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

Date : 31st May, 1996
Place : Bangalore

Cash Flow Statements for the year ended 31st March, 1996



	(Rs. '000)	
	1995-96	1994-95
Cash flows from operating activities		
Net profit before income tax	282,202	12,019
Adjustments for :		
Depreciation charge on fixed assets for the year/period	15,778	2,172
Preliminary/issue/preoperating expenses amortised	50,391	23,588
Depreciation on investments	3,761	—
	<u>352,132</u>	<u>37,779</u>
Adjustments for :		
(Increase) in Investments	(933,158)	(2,213,377)
(Increase) in Advances	(2,706,164)	(980,021)
Increase in Borrowings	50,999	401,194
Increase in Deposits	3,959,439	2,897,517
(Increase) in Other assets	(313,956)	(324,316)
(Net of share application money received through stockinvest certificates)		
(Decrease)/increase in Other liabilities and provisions	(37,692)	445,705
(Net of share application money received, pending allotment)		
	<u>371,600</u>	<u>264,481</u>
Direct taxes paid	(82,856)	(111)
Preliminary, pre-operating and share issue expenses incurred	(26,803)	(47,175)
Net cash flow from operating activities	<u>261,941</u>	<u>217,195</u>
Cash flow from investing activities		
Purchase of fixed assets	(561,384)	(216,906)
Net cash used in investing activities	<u>(561,384)</u>	<u>(216,906)</u>
Cash flow from financing activities		
Increase in Share Capital	500,000	1,500,000
Share application money received	—	13,865,993
(Net of stock invests received, pending allotment of shares)		
Share application money transferred to Share Capital	(500,000)	—
Share application money refunded on allotment of shares	(13,365,993)	—
Net cash generated from financing activities	<u>(13,365,993)</u>	<u>15,365,993</u>
Net increase/(decrease) in cash and cash equivalents	<u>(13,665,436)</u>	<u>15,366,282</u>
Cash and cash equivalents at 1st April	<u>15,366,282</u>	<u>—</u>
Cash and cash equivalents as at 31st March	<u>1,700,846</u>	<u>15,366,282</u>

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

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

Date : 31st May, 1996
Place : Bangalore



HDFC BANK LTD.

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

ENTRANCE PASS

(to be presented at the entrance)

2nd Annual General Meeting at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020
on Wednesday, 14th August, 1996 at 2.30 p.m.

Ledger Folio No.....Signature.....

Only shareholders / proxies / representatives are allowed to attend the meeting.



HDFC BANK LTD.

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

PROXY FORM

Ledger Folio No.....No. of shares held.....

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 Second Annual General
Meeting of the Bank to be held on Wednesday, 14th August, 1996 and at any adjournment thereof.

Signed this day of 1996.

Affix
30 Paise
Revenue
Stamp

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.



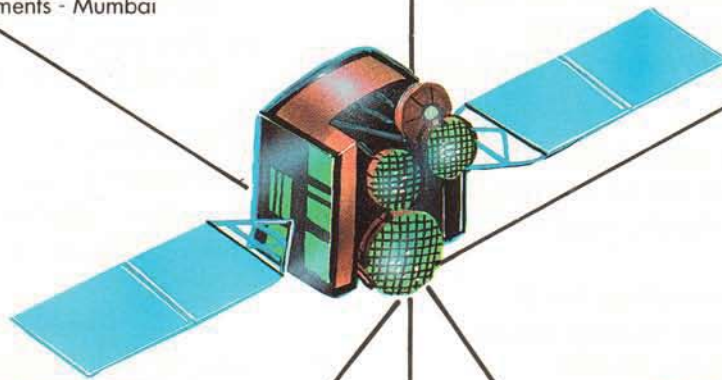
Treasury at the corporate office
Worli - Mumbai



Branch at Tirupati Apartments - Mumbai



Customer Service Centre-Pune



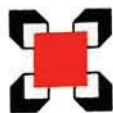
Branch at Tulsiani Chambers - Mumbai



Branch at Sandoz House Worli - Mumbai



Branch at Mount Road - Madras



HDFC Bank Ltd.

BRANCH NETWORK

Mumbai

Mistry Bhavan, D. Vacha Road,
122 Backbay Reclamation, Churchgate,
Mumbai 400 020. Tel: 204 5605/34. Fax: 2045658

101-104 Tulsiani Chambers, Free Press Marg,
Nariman Point, Mumbai 400 021.
Tel: 285 1515, 288 4267/68. Fax: 2855949

Sandoz House, Dr. Annie Besant Road,
Worli, Mumbai 400 018. Tel: 495 1616
Fax: 4951771/4960696/4960737

Tirupati Apartments, Shop No. 10,
Bhulabhai Desai Road, Mumbai 400 026
Tel: 496 2525. Fax 4961383

Swagatam, Opp. Khar Police Station,
S. V. Road, Khar, Mumbai 400 052.
Tel: 605 1414/1122. Fax: 6055656.

HDFC Annexe, Plot No. 82,
Sector No. 17, Vashi,
Navi Mumbai 400 703. Tel: 768 2081/1544.
Fax: 7681877.

Pune

Netrali Apartments, Opp. Bhandarkar Institute,
Law College Road, Pune 411 004.
Tel: 351334, 350678. Fax: 350720

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: 687 1989. Fax: 6371990.

Nanz Food Products Ltd.,
B1/8 Apsara Arcade, Pusa Road,
New Delhi 110 005.
Tel: 576 9329/30. Fax: 5769326.

Madras

ITC Centre, 759 Mount Road, Madras 600 002.
Tel: 855 1313. Fax: 855 0233

Calcutta

Cooke and Kelvey Building, 1st Floor,
20 Old Court House Street, Calcutta 700 001.
Tel: 243 0555/57, 243 0589. Fax: 2430618

Bangalore

HDFC House, 51 Kasturba Road,
Bangalore 560 001. Tel: 227 5572/73.
Fax: 2216874

Ahmedabad

HDFC House, 1st Floor, Near Mithakali Six
Roads, Navrangpura, Ahmedabad 380 009.
Tel: 656 3465. Fax: 6563464