

ANNUAL REPORT 1999-2000



HDFC BANK



- ☐ Consumer Banking
- ☐ Consumer Loans
- ☐ Demat Accounts
- ☐ Stock Broker Accounts
- ☐ Business Accounts
- ☐ Custodial Services
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In the News



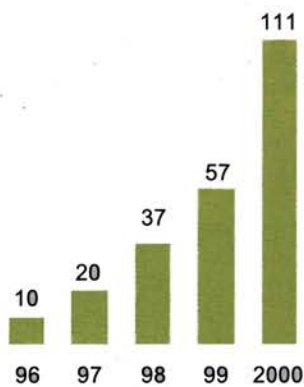
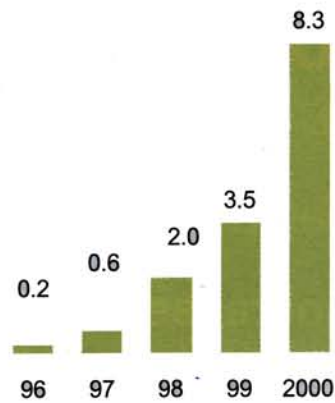
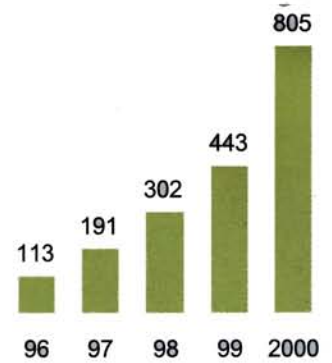
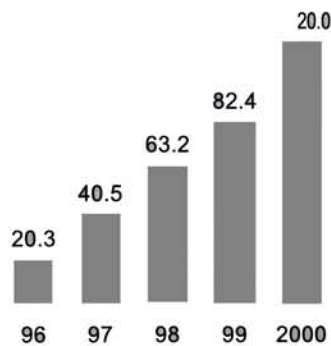
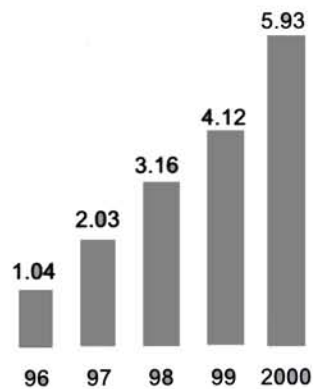
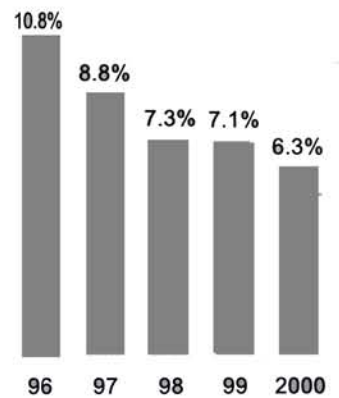
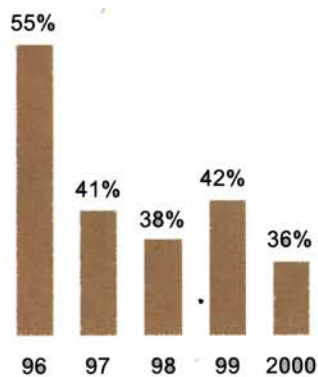
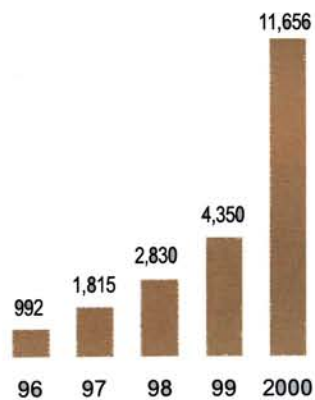
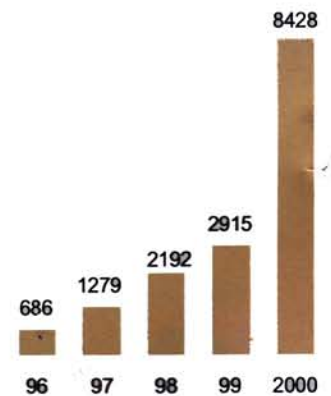
AAG
At a Glance

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- Debt Newsletter

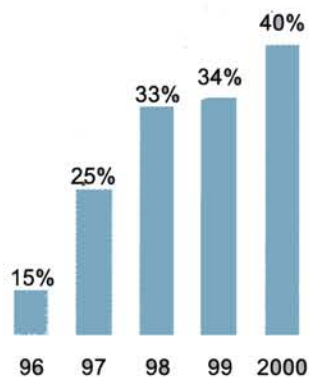
1999 - 2000 @ a glance

- Times Bank amalgamates with the Bank
- Profit after tax increases 45.7% to Rs. 120.04 crores
- Earnings per share increases from Rs. 4.12 per share to Rs. 5.93 per share
- Dividend per share increases from Rs. 1.30 per share to Rs.1.60 per share
- Branch Network up from 57 to 111 outlets
- Geographic reach expanded from 21 cities to 34 cities
- Deposits at Rs. 8428 crores
- Balance sheet size up from Rs. 4,350 crores to Rs. 11,656 crores
- Capital position strengthened. Capital Adequacy Ratio at 12.19%



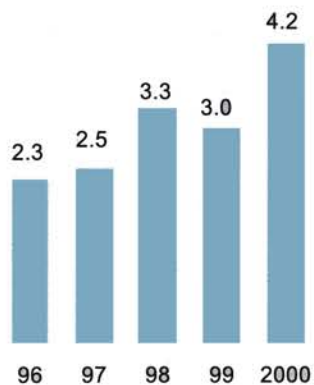
BRANCH OUTLETS**RETAIL ACCOUNTS**
(Lacs)**TOTAL INCOME**
(Rs. Lacs)**PAT**
(Rs. Crores)**EARNING PER SHARE**
(Rs.)**COST OF DEPOSITS**
(%)**OPERATING COSTS TO**
NET REVENUES (%)**WORKING FUNDS**
(Rs. Crores)**TOTAL DEPOSITS**
(Rs. Crores)

DEPOSIT MIX (%)

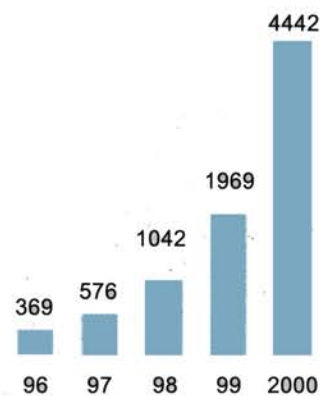


Deposit Mix is current & savings account balances to total deposits

DEPOSITS PER EMPLOYEE (Rs. Crores)

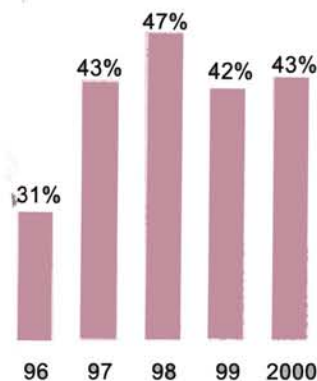


CUSTOMER ASSETS (Rs. Crores)

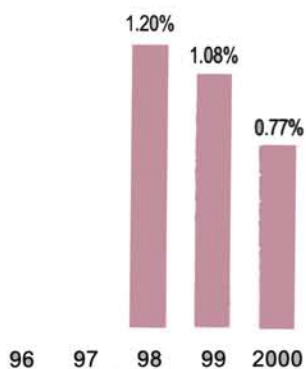


Customer Assets include net advances plus investments in commercial paper and debentures

PRIORITY SECTOR LENDINGS TO NET BANK CREDIT (%)

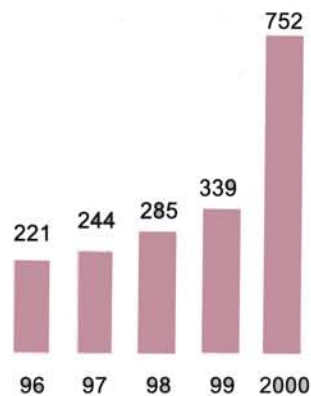


NET NPA TO CUSTOMER ASSETS (%)

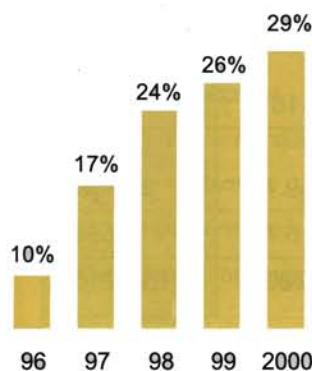


Net NPA is non-performing assets net of interest in suspense, specific provision and ECGC claims received

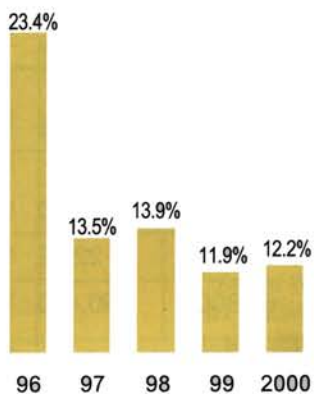
NETWORTH (Rs. Crores)



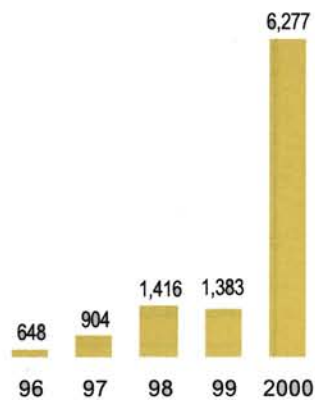
RETURN ON AVERAGE NETWORTH (%)



CAPITAL ADEQUACY RATIO (%)



MARKET CAPITALISATION (Rs. Crores)



financial highlights

Rs. in Lacs

	1995-96	1996-97	1997-98	1998-99	1999-2000
Interest Income	100,07	161,74	240,80	376,08	679,87
Interest Expense	70,84	87,18	137,55	229,18	374,28
Net Interest Income	29,23	74,56	103,25	146,90	305,59
Commission and Fee earnings	7,48	18,83	30,92	41,75	84,45
Market Sensitive Income	5,30	9,94	30,23	25,32	37,45
Net Revenues	42,01	103,33	164,40	213,97	427,49
Operating costs	22,67	41,56	62,74	88,80	155,20
Operating Result	19,34	61,77	101,66	125,17	272,29
Loan Loss Provisions	91	3,73	7,22	7,58	53,60
Extraordinary item and other contingent provisions	(9,82)	(1)	9	74	23,84
Profit before tax	28,25	58,05	94,35	116,85	194,85
Provision for taxation	7,97	17,55	31,20	34,45	74,81
Profit after tax	20,28	40,50	63,15	82,40	120,04
Funds :					
Deposits	685,70	1,279,07	2,191,74	2,915,11	8,427,72
Subordinated debt	—	—	100,00	135,00	150,00
Shareholders' Equity	221,08	243,98	285,13	338,93	751,53
Working Funds	992,29	1,815,26	2,829,98	4,349,96	11,656,14
Advances	368,62	575,26	841,98	1,400,56	3,362,27
Investments	314,28	729,72	1,121,33	1,903,80	5,748,28
Key Ratios :					
Earnings per share (Rs)	1.04	2.03	3.16	4.12	5.93
Return on Average Networkth	9.62%	17.42%	23.87%	26.41%	29.00%
Tier 1 Capital Ratio	23.40%	13.00%	10.21%	8.34%	9.56%
Total Capital Ratio	23.53%	13.02%	13.92%	11.86%	12.19%
Dividend per share (Rs)	—	0.80	1.00	1.30	1.60
Dividend payout ratio	—	43.46%	34.84%	34.71%	29.96%
Book value per share as at March 31 (Rs)	11.1	12.2	14.3	16.9	30.9
Share price per share as at March 31 (Rs)	32.40	45.20	70.80	69.15	257.20
Price to Earnings Ratio	31.12	22.32	22.42	16.78	43.51
Market Capitalisation (Rs. Lacs)	64,800	90,400	141,600	138,300	625,716
Rs. 10 Lac = Rs. 1 Million Rs. 1 Crore = Rs. 10 Million					

**6th ANNUAL GENERAL MEETING**

Date	: 19th May, 2000
Day	: Friday
Time	: 3.30 p.m.
Place	: Patkar Hall, SNDT Women's University, 1, Nathibai Thackersey Rd, New Marine Lines, Mumbai 400 020
Book Closure Dates	: 25th April to 19th May, 2000 (both days inclusive)

BOARD OF DIRECTORS

Mr. Shobha Singh Thakur, *Chairman*

Mr. Deepak M. Satwalekar

Mr. Jagdish S. Baijal

Mr. Nasser M. Munjee

Mr. Keki M. Mistry

Dr. (Mrs.) Amla Samanta

Dr. Venkat Rao Gadwal

Mr. Christopher FitzGerald (Upto 3rd June, 1999)

Mr. Christian Jervis Read (Upto 3rd June, 1999)

Mr. Anil Ahuja (From 16th July, 1999)

Mr. Arnold Chavkin (From 16th July, 1999)

Mr. Amit Judge (From 14th April, 2000)

Mr. Aditya Puri, *Managing Director*

**VICE PRESIDENT (LEGAL) &
COMPANY SECRETARY**

Mr. Sanjay B. Dongre

AUDITORS

S. B. Billimoria & Co.

Chartered Accountants

REGISTRARS & TRANSFER AGENTS**MCS LIMITED**

Sri Venkatesh Bhavan,
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
www.hdfcbank.com

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Notice

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of HDFC Bank Limited will be held at Patkar Hall, S.N.D.T. Women's University, 1, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020 on Friday, 19th May, 2000 at 3.30 p. m. to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 31st March, 2000 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. Baijal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Dr. (Mrs.) Amla Samanta who retires by rotation and being eligible offers herself for re-appointment.
5. To re-appoint Auditors and in this connection, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT S. B. Billimoria & Co., Chartered Accountants, be and are hereby re-appointed as 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

6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Anil Ahuja be and is hereby appointed as a Director of the Bank, liable to retire by rotation."

7. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Arnold Chavkin be and is hereby appointed as a Director of the Bank, liable to retire by rotation."

8. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Amit Judge be and is hereby appointed as a Director of the Bank, liable to retire by rotation."

9. To consider, and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the approval of the Reserve Bank of India (RBI) under section 35B of the Banking Regulation Act, 1949 and the applicable provisions of the Companies Act, 1956, the re-appointment of Mr. S. S. Thakur as part-time Chairman of the Bank for a period of one year with effect from 30th September, 1999 be and is hereby approved.

RESOLVED FURTHER THAT pursuant to the said RBI approval Mr. S. S. Thakur be retained to render extra services of a non-executive nature in areas like internal audit, inspection, vigilance and compliance on the existing terms and conditions.

RESOLVED FURTHER THAT the terms and conditions of the reappointment of Mr. S. S. Thakur as approved by RBI and as set out in the agreement duly executed between Mr. Thakur and the Bank be and are hereby ratified.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary and modify the terms and conditions of Mr. Thakur's re-appointment as the Chairman of the Bank, including modification in the professional fees payable to him, in such manner as may be agreed between the Bank and Mr. Thakur and approved by the Reserve Bank of India."

10. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the approval of the Reserve Bank of India (RBI) under section 35B of the Banking Regulation Act, 1949 and the applicable provisions of the Companies Act, 1956, the re-appointment of Mr. Aditya Puri as the Managing Director of the Bank for a period of three years with effect from 30th September, 1999 be and is hereby approved."



RESOLVED FURTHER THAT the terms and conditions of the re-appointment of Mr. Aditya Puri as the Managing Director of the Bank as mentioned below be and are hereby ratified:

1. Salary : Rs. 2,25,000/- p. m.
2. Bonus : Upto one year's salary per annum subject to the approval of the Board and RBI.
3. Entertainment Allowance : Rs. 5000/- p. m.
4. Other Allowances :
 - Club fees - (2)
 - Servants/Gardeners - Rs. 2500/- p. m.
 - Soft furnishing - Rs. 2500/- p. m.
 - Books & periodicals - Rs. 1000/- p. m.

Perquisites

1. Housing accommodation : Bank leased furnished accommodation
2. Gas & electricity : On actual basis
3. Car :
 - i) Free use of the Bank's car for official purposes
 - ii) Use of Bank's car for private purposes on payment of a suitable amount.
4. Provident Fund / Gratuity / Pension :
 - Provident Fund - 12% of basic salary
 - Pension Fund - 15% of basic salary
 - Gratuity - half month's pay per year's service.
5. Travelling and Halting Allowances - Actual
6. Medical Benefits - Actual

7. Other benefits, if any :

- i) Personal Accident Insurance Policy.
- ii) Leave :
 1. Ordinary leave - 30 days p. a.
 2. Sick leave - 7 days p. a.
 3. Leave fare Concession - Rs.1,00,000 p. a.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary and modify the terms and conditions of Mr. Aditya Puri's re-appointment as the Managing Director of the Bank in such manner as may be agreed between the Bank and Mr. Puri and approved by the Reserve Bank of India.

RESOLVED FURTHER THAT in case of inadequacy of profit in any financial year the remuneration shall be paid to Mr. Puri as minimum remuneration subject to the limits laid down in the Companies Act, 1956 and to compensate him later for any shortfall in the agreed remuneration with the approval of Reserve Bank of India."

By Order of the Board

Sanjay B. Dongre
Vice President (Legal) &
Company Secretary

Mumbai, 14th April, 2000

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK.** The proxy form should be lodged with the Bank at its Registered Office at least 48 hours before the time of the Meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed hereto.
3. All documents referred to in the Notice are open for inspection at the Registered Office of the Bank on all working days between 11.00 a. m. to 1.00 p. m. up to the date of Annual General Meeting.

Annexure to the Notice

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

ITEM NO. 6 TO 8

Mr. Anil Ahuja and Mr. Arnold Chavkin were appointed as Directors of the Bank under section 260 of the Companies Act, 1956 at the Board meeting held on 16th July, 1999 to represent on the Board, the strategic investors, viz. The India Private Equity Fund (Mauritius) (IPEF) and Indocean Financial Holding Limited (IFHL) respectively. IPEF and IFHL are Mauritius based funds and both are advised by Indocean Chase Capital Advisors, the Indian affiliate of Chase Capital Partners. These Directors would hold office till the date of the ensuing Annual General Meeting.

Mr. Ahuja has received B.Tech degree in Mechanical Engineering from Indian Institute of Technology, Delhi and has done M.B.A. from the Indian Institute of Management, Ahmedabad. Mr. Ahuja has worked with Citibank for eleven years. He is currently the Executive Director of Indocean Chase Capital Advisors.

Mr. Arnold Chavkin holds a degree in Business Administration from Columbia University and serves on the Advisory Boards of different investment funds.

Mr. Amit Judge was appointed as Additional Director of the Bank with effect from 14th April, 2000 pursuant to section 260 of the Companies Act, 1956. Mr. Judge would hold office till the date of the ensuing Annual General Meeting. Mr. Judge is the Chairman of Raghuvar (India) Ltd, Turner Morrison Ltd, Sports and Leisure Apparel Ltd and Steelage Industries Limited and is a Director on the Board of STP Limited and Akarsh Holdings Pvt Ltd.

As required under section 257, the Bank has received notices from members signifying their intention to propose Mr. Anil Ahuja, Mr. Arnold Chavkin and Mr. Amit Judge as candidates for the office of Director. The Bank has also received deposit for Rs. 500/- each as required under the Act.

It is proposed to appoint Mr. Anil Ahuja, Mr. Arnold Chavkin and Mr. Amit Judge as Directors of the Bank subject to the approval of the Members. None of the Directors other than Mr. Ahuja, Mr. Chavkin and Mr. Judge is concerned or interested in the respective resolutions.

ITEM NO. 9

Mr. S. S. Thakur was appointed as a part time Chairman for a period of five years from 30th September, 1994. The Board had also approved the proposal to retain Mr. Thakur for rendering extra services on a day-to-day basis in areas like internal audit, inspection, vigilance, compliance of the RBI and Board policies / directions, etc. The appointment of Mr. Thakur as a part-time Chairman and the terms and conditions of his appointment were approved by the Reserve Bank of India under section 35B of the Banking Regulation Act, 1949; vide its letter DBOD No. 513/08.89.001-94 dated 21st December, 1994. The five year term expired on 29th September, 1999.

Mr. Thakur has rendered invaluable services as the Chairman of the Board of Directors and the Board constituted Committees, viz. Audit & Compliance Committee, Share Committee, Premises Committee and Credit Approval Committee. Under his overall guidance the Bank has developed and put in place effective internal audit and compliance systems. In view of this and the impressive all-round progress the Bank has achieved during the chairmanship of Mr. Thakur, it was proposed to re-appoint him as the Chairman on a part-time basis and retain him for rendering extra services as mentioned above. The Board at its meeting held on 16th July, 1999 approved the re-appointment of Mr. S. S. Thakur as a part time Chairman of the Bank for a period of one year from 30th September, 1999 subject to the approval of Reserve Bank of India. His re-appointment was approved by the Board on the same terms and conditions as were approved initially in 1994, which inter alia include a professional fee of Rs.15 lacs per annum and other perquisites as specified in the agreement entered into between the Bank and Mr. Thakur. The RBI had also granted necessary approval in this regard vide its letter No. DBOD No.190/08.89.001/99 dated 1st September, 1999.

The Board of Directors recommend the re-appointment of Mr. Thakur as part time Chairman of the Bank for a period of one year with effect from 30th September, 1999. None of the Directors other than Mr. Thakur is concerned or interested in the relevant resolution.



NET BANKING @ www.hdfcbank.com is the most sophisticated way to Bank. We offer NetBanking online and real time. Customers can use it to pay their utility bills, apply for auto loans, personal loans and loans against shares. They can check account details, transfer funds, order drafts, open fixed deposits, stop cheque payments and carry out many other basic banking transactions.

**ITEM NO. 10**

Mr. Aditya Puri was appointed as the Bank's Managing Director for a period of five years from 30th September, 1994 with the approval of Reserve Bank of India (RBI) vide its letter DBOD No.513/08.89.001-94 dated 21st December, 1994. The five-year term expired on 29th September, 1999.

During Mr. Puri's tenure as Managing Director, the Bank has recorded spectacular growth in terms of branch expansion, business volumes, revenue earnings and other performance parameters. The net profit of the Bank has increased progressively from Rs. 20.28 crores in 1995-96 (the first full year of its operation) to Rs. 82.40 crores in 1998-99.

Mr. Puri has played a key role in pioneering the impressive growth in the Bank's operations and revenue earnings. In view of this and the need of Mr. Puri's services as the Bank's Managing Director for its sustainable growth in future, the Board of Directors re-appointed him as Managing Director subject to the approval of Reserve Bank

of India (RBI). The RBI approved the re-appointment for a period of three years with effect from 30th September, 1999, vide its letter No. DBOD No.180/08.89.001/99 dated 27th August, 1999. The terms and conditions of the re-appointment including the remuneration payable to Mr. Puri are specified in the resolution circulated amongst the shareholders.

The Board of Directors recommend the re-appointment of Mr. Puri as the Managing Director of the Bank for a period of three years with effect from 30th September, 1999. None of the Directors other than Mr. Puri is concerned or interested in the said resolution.

By Order of the Board,

Sanjay B. Dongre
Vice President (Legal) &
Company Secretary

Mumbai, 14th April, 2000.

NRI NET BANKING : Non-resident Indians have an ever growing need to pursue business transactions in India. NRI NetBanking gives instant access to their savings bank account from any part of the globe. It is a specialised service for NRIs where financial transactions are available online. NRI NetBanking also gives access to several value added services.



Directors' Report

To the Members,

Your Directors have great pleasure in presenting the sixth Annual Report on the business and operations of your Bank together with the audited accounts for the year ended 31st March, 2000.

FINANCIAL PERFORMANCE :

(Rs. in Crores)
For the year ended

	31st March, 2000	31st March, 1999
Deposits and other borrowings	9856.46	3362.99
Advances	3362.27	1400.56
Total Income	805.22	444.15
Profit before depreciation and tax	221.31	131.87
Net Profit	120.04	82.40

Appropriations :

Transfer to Statutory Reserve	30.01	20.60
Transfer to Investment Fluctuation Reserve	0.59	—
Proposed Dividend	32.39	26.00
Tax on Dividend	3.82	2.60
Balance carried over to Balance Sheet	53.23	33.20

Due to the amalgamation of Times Bank Limited (TBL) with your Bank effective 26th February, 2000, the Profit & Loss Account reflects the merged Bank's figures from that date i.e. the standalone HDFC Bank revenues and expenses till 25th February, 2000 and those of the merged HDFC Bank from 26th February, 2000 onwards. The figures for the financial year ended 31st March, 2000 are to that extent not comparable with those of the previous year.

Even discounting for the above, the overall financial performance during the year under review was exceptionally strong with total net revenues (net interest income plus other income) increasing by 100.5% from Rs. 214.97 crores in 1998-99 to Rs. 430.94 crores in

1999-2000. Net revenues from fund-based and non fund-based activities represented a healthy 72 : 28 mix. The quality and diverse nature of the revenue streams is evidenced from the fact that over 66% of the non-funded revenues came from commissions which are earned by your Bank from a diverse set of products including trade services, cash management, custodial and depository services and retail loans. Market sensitive revenues (foreign exchange profits and profit on sale of investments net of revaluation loss) contributed 8.8% of net revenues. Despite substantial branch expansion, higher infrastructure investments and staffing for new products and overall growth, operating expenses reduced to 36.3% of net revenues from 41.5% in 1998-99. Net profit increased by 45.7% from Rs. 82.40 crores to Rs.120.04 crores for the year under review. Notwithstanding the increase in capital due to the TBL merger and fresh issue of capital in March 2000, return on average networth (based on weighted average equity outstanding during the year) was a healthy 29% in 1999-2000 as against 26.4% in 1998-1999.

DIVIDEND :

Your Directors are pleased to recommend an enhanced dividend of 16% for the year ended 31st March, 2000 as against 13% for the previous year. You will appreciate that the higher dividend balances the twin objectives of appropriately rewarding the shareholders as well as retaining capital to meet the Bank's investment needs and maintaining a healthy capital adequacy ratio. We firmly believe that given the strong business momentum and growth potential, retentions will enhance future shareholder value.

AMALGAMATION OF TIMES BANK LIMITED :

As you are aware, with effect from 26th February, 2000, Times Bank Limited (TBL) has been amalgamated with your Bank. This is an important milestone not only in the history of your Bank but probably for the Indian banking sector as well, being the first merger of two private sector banks on a voluntary basis and heralding the beginning of an era of consolidation. The amalgamation adds significant value to your Bank in terms of increased branch network, expanded geographic reach, enhanced customer base,



DEBIT CARD : Debit Card is a convenient means of making online payment or withdrawing cash from a savings bank account. The Bank's debit card can be used at 80 lac merchant outlets and 5 lac ATMs worldwide.

skilled manpower and the opportunity to cross-sell and leverage alternative delivery channels.

The entire legal and regulatory process for the amalgamation was completed within a period of just four months from the date the deal was announced. You will appreciate that this is no mean achievement. It has been made possible due to the intense commitment and untiring efforts of the promoters and management teams of both TBL and your Bank, and equally importantly, due to the full co-operation and support of the Reserve Bank of India (RBI).

As per the scheme of amalgamation approved by the shareholders of both banks and the RBI, your Bank has allotted about 2.35 crore equity shares of Rs. 10 each to the eligible shareholders of TBL as per the ratio of 1 share of the Bank for every 5.75 shares of TBL. The new shares so allotted shall be entitled to pro-rata dividend with effect from 26th February, 2000.

INCREMENTAL CAPITAL & CAPITAL ADEQUACY :

Apart from the increase in equity capital of Rs. 23.48 crores on account of amalgamation of TBL, during the year under review, your Bank has allotted and issued 1,98,00,000 equity shares of Rs. 10/- each at an issue price of Rs.94/- per share to HDFC Holdings Ltd., The India Private Equity Fund (Mauritius) (IPEF) and Indocean Financial Holding Ltd. (IFHL), as approved by the shareholders in January, 2000 and in accordance with the SEBI guidelines on preferential issues. This would ensure that the holdings of the HDFC group and of the strategic investors (which are both funds advised by Indocean Chase Capital Advisors, the Indian affiliate of Chase Capital Partners) will be maintained at the levels which they were prior to the amalgamation.

As a result, capital adequacy ratio (CAR) as at 31st March, 2000 stands at 12.19% as against the regulatory minimum of 9%. Tier 1 CAR is at 9.56%.

EQUITY STOCK OPTIONS :

In January, 2000 the shareholders had approved issuance of stock options to employees and directors of the Bank

convertible into equity shares of the aggregate nominal face value not exceeding Rs. 10 crores. Pursuant to this approval, the Compensation Committee of the Board granted forty five lac equity options convertible into shares of a face value of Rs. 4.5 crores under the first tranche of the Employees Stock Option Scheme (ESOS). Of this, six lac sixty thousand options have been granted to directors (including the Managing Director) subject to RBI approval. Twelve members of the senior management team have been granted a total of nine lac options. The options will vest over three years viz. 30% in January, 2001, 30% in January, 2002 and 40% in January, 2003. As approved by the shareholders, equity shares would be issued under ESOS at a price being the average of the daily closing price quoted on The Stock Exchange, Mumbai for a period of 60 days preceding the date of the grant of options. On this basis the exercise price in the case of the first tranche would be Rs.131.33.

GROWTH OF DEPOSITS AND ADVANCES :

During the year under review your Bank's balance sheet parameters have grown significantly partly due to the Times Bank merger and partly reflecting the robust growth in business volumes and a more favourable macro environment. The Bank's total deposits increased by 189% to Rs. 8428 crores during 1999-2000. More importantly, savings account deposits which reflect the Bank's focus on building a stable, low-cost retail deposit base, increased by 225% from Rs. 346.5 crores to Rs. 1125 crores as of 31st March, 2000. The Bank's total advances increased from Rs. 1401 crores to Rs. 3362 crores a growth of 140%. In addition, your Bank's investment in corporate debt (credit substitutes like commercial paper, debentures, etc.) increased from Rs. 569 crores to Rs. 1080 crores during the year under review. Total customer assets, therefore grew by 125% to Rs. 4442 crores as of 31st March, 2000.

BUSINESS DEVELOPMENTS :

During the year under review, each of your Bank's business franchises achieved strong growth, driven by an expanding product range, enhanced customer acquisition, geographic expansion and higher levels of penetration.

BILL PAY : This is a service provided to Bank's savings bank account holders to pay utility bills like electricity, telephone, mobile etc., in a simple convenient manner through ATM, telephone banking, and netbanking.



Directors' Report - (Contd.)

Equally importantly, the Bank continued to position itself for growth, especially the opportunities presented by the New Economy and the rapidly changing environment. The Bank has prioritised its engagement in the technology and internet revolution as one of its key goals and has already made significant progress in web-enabling its core businesses. In each of its businesses, the Bank has succeeded in leveraging its market position, expertise and technology to create a competitive advantage and build market share.

WHOLESALE BANKING :

Wholesale banking reflects your Bank's strengths in providing its corporate and institutional clients a wide array of commercial, transactional and electronic banking products through innovative product development and a well integrated approach to relationship management. The total outlay of funds to the corporate customer base increased by 120% during the year and consists primarily of short and medium term finance for working capital requirements either as loans and advances or investments in corporate debt. During the year under review, your Bank introduced several new initiatives which leverage the power of the internet to enable wholesale banking customers to deal with the Bank in a more convenient manner, manage their corporate treasury requirements more efficiently and cut costs or increase revenues by tapping e-commerce opportunities. Cash management services were expanded to include net-based supply chain management solutions, thus strengthening further your Bank's position as a leading player in this business. The Bank also introduced the e-Net product which enables corporate clients to transact with the Bank from every workstation in the customers' offices, based on appropriate authorization levels.

Your Bank's corporate credit portfolio has traditionally been focussed towards the higher end of the credit spectrum. Tight target market definition and ongoing risk monitoring combined with focussed remedial management and conservative provisioning policies have enabled the Bank to maintain portfolio quality at levels which are amongst the best in the Indian banking industry. The TBL portfolio constituted a mix of large and middle market customers across both working capital and term finance. Post

merger, this portfolio has been segregated into the segment which would be retained and the portion which would be phased out. Middle market exposure therefore currently constitutes about 35% of the combined corporate portfolio and the target is to reduce this to about 25% over the next 12 months. Consequent to the merger of TBL with your Bank, additional specific provisions were made to align the provisions in respect of non performing assets (NPA) in the erstwhile TBL books with the provisioning policies of your Bank, at levels which are higher than the provisioning norms required to meet regulatory guidelines. The portfolio is well diversified with over 14 industries accounting for more than 2% each of the funded portfolio. The ratio of gross NPA to customer assets as at 31st March, 2000 was 2.54%. The net NPA (NPA net of specific loan loss provisions, interest in suspense and ECGC claims received) was 0.77% of customer assets. In addition, the Bank holds general loan loss provisions for corporate standard assets about 100 basis points as against the RBI guideline of 25 basis points.

TREASURY :

During the year under review, your Bank performed well in each of the three Treasury businesses - Foreign Exchange (FX) & Derivatives, Money Markets & Debt Securities and Equities Investments & Advisory. In the FX business, the Bank increased customer revenues by over 50%. Higher volumes were achieved from trade flows of borrowal customers as well as from remittances and hedging products from corporates who deal with the Bank only in FX business. On the derivatives front, the Bank has been an active player in both Rupee based and FX derivatives, leveraging its in-house expertise, corporate relationships and access to Chase treasuries overseas. Over the last year, your Bank has been one of the market leaders in the Rupee swap market. In the local currency debt and money markets, the Bank has been an active player in short and medium term sovereign and corporate debt paper. The local currency desk has also been proactive in exploiting gapping opportunities and appropriately balancing the yield and market risk on holdings of government securities for statutory reserve requirements. The equities desk achieved healthy returns on a relatively modest proprietary book. More importantly, the desk's key initiative, Investment Advisory Services, was extended to 8 cities during the year and the number of clients availing of these services more than doubled.



PHONEBANKING : This is another convenient channel for the Bank's customers to deal with the Bank for variety of services like checking account details, request for an account statement, order a draft, report lost ATM Card, stop cheque payment, open a fixed deposit, enquire on a cheque status, pay utility bills etc.

RETAIL BANKING :

Your Bank's retail banking franchise grew rapidly in 1999-2000 due to organic growth and the Times Bank merger. As a result, the total number of retail accounts increased from 3,45,000 in March 1999 to 8,25,000 in March 2000. These customers have been segmented and are serviced through multiple channels. With a number of additional conveniences like Bill Pay, International Debit Card, etc., increasing transaction volumes have been successfully diverted to alternative channels like ATMs, phone banking and net banking. Your Bank was the first bank in India to launch mobile banking on 1st January, 2000. During the year under review, the Bank's range of retail loan products was expanded further and now includes loans against shares, auto loans, personal loans and short term loans for IPOs. The total retail loan portfolio increased by 159% during the year from Rs. 296 crores to Rs. 766 crores. The Bank manages each of its retail loan products on a product program basis and has a policy of creating appropriate general loan loss provisions to account for projected delinquency levels so that higher yields are matched with potential credit costs in the same time period and fluctuations in product profitability are minimised. With its expanded branch network of 111 branches (up from 57 in March 1999), enhanced customer base, wide product range and strong brand equity, your Bank is well positioned to grow its retail franchise.

CAPITAL MARKETS INFRASTRUCTURE :

During the year under review, the custodial and depository participant (DP) services business achieved exponential growth with the number of investor demat accounts going up from 50,000 in March 1999 to over 300,000 in March 2000. The total market value of assets in custody and depository services also increased sharply from Rs. 4,500 crores to over Rs. 25,000 crores. Your Bank remains a dominant player in providing cash settlement services to national and regional stock exchanges and is now a clearing bank for NSE, BSE, CSE, ASE, DSE, HSE and OTCEI. Over 800 brokers and most leading custodians use your Bank as a settlement bank on various stock exchanges. Your Bank is also one of the leading players providing transactional banking and payment services for capital market related payments such as dividends, interest, etc. With a strong outlook for continued growth of

the capital markets for the coming year, the Bank's franchise for various transactional and infrastructure services for this sector are well positioned for further growth.

STRATEGIC INVESTMENTS :

Given the rapid environmental changes and the need to provide both retail and corporate customers with comprehensive and cost-effective financial solutions in shrinking time frames, your Bank believes that its participation in certain businesses can be achieved more effectively through alliances and affiliates. In this regard the Bank's philosophy is to make selective strategic investments in technology - related and other companies where it has strong business synergies or the investee companies are important enablers or service providers for implementing the Bank's strategic business plan. Accordingly, during the year under review, your Bank acquired a 19% stake in the equity capital of Computer Age Management Services Pvt. Ltd. (CAMS) which is a leading provider of registrar and transfer agent services to mutual funds. With this alliance, the Bank, in partnership with CAMS, would be a one-stop-shop for mutual funds providing custody, registrar services, cash management and sales and distribution services in an integrated manner. Your Bank also proposes to acquire a 19% equity stake in Net Savvy Solutions India Pvt. Ltd. (formerly S. R. India Ltd.). This company would facilitate the e-Net implementation for the Bank's customers and also provide software for some of the Bank's internet related payment services. A MOU was also entered into with Sesami.com, an affiliate of Singapore Telecom to form a new company, Sesami.com (India) Pvt. Ltd., in which your Bank would have a 20% equity stake and which would provide e-procurement, auction and other B2B services. The Bank also proposes to take up a 29.5% equity stake in a proposed new affiliate company, HDFC Securities Pvt. Ltd., which will provide broking services through internet and other channels. The main focus of this company would be to provide retail e-broking services, leveraging the Bank's customer base of high networth and depository customers.

STATUTORY DISCLOSURE :

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder

HDFC BANK PLUS : This is a package of current account with value added transactional banking services specially designed for small businesses, traders etc. Services include free cheque clearing between metros, free demand drafts on metros without limit, free netbanking and phonebanking, free courier pick up of cheques, cash pick up and delivery, home delivery of DDs and faster collection of outstation cheques drawn on HDFC Bank locations.



Directors' Report - (Contd.)

as well as particulars of options granted to senior management personnel are given in the annexure appended hereto and forms part of this report. In terms of Section 219(1) (b) (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 Bank. The Bank had 1992 employees as on 31st March, 2000 and 159 employees employed throughout/part of the year, were in receipt of remuneration of Rs. 6,00,000/- per annum or Rs 50,000/- or more per month as the case may be.

The provision of Section 217(1)(e) of the Act relating to conservation of energy and technology absorption do not apply to your Bank. The Bank has, however, used information technology extensively in its operations.

The rollover to the new millenium for the Bank was very smooth and without any hitches. All on-line activities and systems have performed normally from 1st January, 2000 onwards.

DIRECTORS :

Mr. J. S. Baijal and Dr. (Mrs.) Amla Samanta will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. Mr. Christian J. Read and Mr. Christopher FitzGerald resigned as Directors of the Bank on June 3, 1999. The Board of Directors places on record its appreciation for the valuable services rendered by them during their tenure as Directors.

Mr. Anil Ahuja and Mr. Arnold Chavkin have been appointed as Additional Directors with effect from July 16, 1999 pursuant to Section 260 of the Companies Act, 1956.

Mr. Amit Judge has also been appointed as an Additional Director with effect from April 14, 2000. All three Directors shall hold office upto the ensuing Annual General Meeting. Your Bank has received from members notices pursuant to Section 257 of the Companies Act, 1956 signifying their intention to propose the candidatures of Mr. Ahuja, Mr. Chavkin and Mr. Judge.

AUDITORS :

The auditors S. B. Billimoria & Co., Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Members are requested to consider their re-appointment for the financial year ending 31st March, 2001 on a remuneration to be decided by the Board of Directors.

ACKNOWLEDGMENT :

Your Directors would like to place on record their sincere gratitude for all the support and guidance received from the Reserve Bank of India and other government and regulatory agencies and look forward to their continued co-operation. We would also like to take this opportunity to place on record our appreciation for the dedicated efforts put in by the Bank's employees and for their continued commitment in building it as a world class Indian Bank.

On behalf of the Board of Directors

S. S. THAKUR
Chairman

Mumbai, 14th April, 2000.



MOBILE BANKING : Banking on the mobile phone. The Bank was the first to introduce banking on the mobile phone in India. Customers can check their savings account balance, request for a cheque book or stop payments.

TO THE MEMBERS OF HDFC BANK LIMITED

We have audited the attached Balance Sheet of **HDFC BANK LIMITED** as at 31st March, 2000 and the Profit and Loss Account of the Bank for the year ended on that date, annexed thereto. We report thereon as follows :

- (1) The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.
- (2) 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.
- (3) The transactions of the Bank which have come to our notice, have been within the powers of the Bank.
- (4) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the Branches.
- (5) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and the Branch returns.

(6) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, in so far as they apply to banks.

(7) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956 in the manner so required for banking companies and give a true and fair view :

- (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2000; and
- (ii) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date.

For **S. B. Billimoria & Co.**
Chartered Accountants

Nalin M. Shah
(Partner)

Mumbai, 14th April, 2000.

Balance Sheet as at 31st March, 2000

(Rs. Lacs)

	Schedule	As at 31-03-2000	As at 31-03-1999
CAPITAL AND LIABILITIES			
Capital	1	243,28	200,00
Reserves and Surplus	2	508,24	138,93
Employees' Stock Options (Grants) Outstanding	19(5)	13,58	—
Deposits	3	8,427,72	2,915,11
Borrowings	4	1,428,74	447,88
Subordinated debt	19(8)	150,00	135,00
Other Liabilities and Provisions	5	884,58	513,04
Total		11,656,14	4,349,96
ASSETS			
Cash and balances with Reserve Bank of India	6	849,82	291,65
Balances with Banks and Money at Call and Short notice	7	767,82	247,86
Investments	8	5,748,28	1,903,80
Advances	9	3,362,27	1,400,56
Fixed Assets	10	236,76	128,03
Other Assets	11	691,19	378,06
Total		11,656,14	4,349,96
Contingent Liabilities	12	11,632,76	8,422,93
Bills for Collection		1,065,35	488,18

The attached notes form part of the financial statements.

In terms of our report of even date attached.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

NALIN M. SHAH
Partner

Mumbai, 14th April, 2000

For and on behalf of the Board

S. S. THAKUR
Chairman

ADITYA PURI
Managing Director

SANJAY B. DONGRE
Vice President (Legal) &
Company Secretary

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
Dr. (Mrs.) AMLA SAMANTA
Dr. VENKAT RAO GADWAL
ANIL AHUJA
AMIT JUDGE
Directors

Profit and Loss Account for the year ended 31st March, 2000



(Rs. Lacs)

	Schedule	Year ended 31-03-2000	Year ended 31-03-1999
I. INCOME			
Interest earned	13	679,87	376,08
Other Income	14	125,35	68,07
Total		805,22	444,15
II. EXPENDITURE			
Interest expended	15	374,28	229,18
Operating expenses	16	171,39	88,79
Provisions & Contingencies [includes Income tax provision of Rs 74,81 lacs (previous year Rs 34,45 lacs)]	17	139,51	43,78
Total		685,18	361,75
III. PROFIT			
Net Profit for the year		120,04	82,40
Profit brought forward		88,19	54,99
Additions on Amalgamation		83,42	—
Total		291,65	137,39
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		30,01	20,60
Balance carried over to Balance Sheet		224,84	88,19
Proposed dividend		32,39	26,00
Tax on dividend		3,82	2,60
Transfer to Investment Fluctuation Reserve		59	—
Total		291,65	137,39
V. EARNINGS PER EQUITY SHARE (Rupees)	18	5.93	4.12

In terms of our report of even date attached.

For S. B. BILLIMORIA & CO.
Chartered Accountants

NALIN M. SHAH
Partner

Mumbai, 14th April, 2000

For and on behalf of the Board

S. S. THAKUR
Chairman

SANJAY B. DONGRE
Vice President (Legal) &
Company Secretary

ADITYA PURI
Managing Director

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
Dr. (Mrs.) AMLA SAMANTA
Dr. VENKAT RAO GADWAL
ANIL AHUJA
AMIT JUDGE
Directors

Schedules to the Accounts

(Rs. Lacs)

	As at 31-03-2000	As at 31-03-1999
SCHEDULE 1 – CAPITAL		
Authorised Capital (30,00,00,000 Equity shares of Rs. 10/- each)	300,00	300,00
Issued, Subscribed and Paid-up Capital (24,32,78,261 (31st March, 1999 : 20,00,00,000) Equity Shares of Rs. 10/- each) (includes 2,34,78,261 Equity Shares of Rs. 10/- each allotted to Shareholders of Times Bank Limited and 1,98,00,000 Equity Shares of Rs. 10/- each allotted to Promoter Group and strategic investors)	243,28	200,00
Total	243,28	200,00
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	50,74	30,14
Additions on Amalgamation	20,55	—
Additions during the year	30,01	20,60
Total	101,30	50,74
II. Balance in Profit and Loss Account		
Opening Balance	88,19	54,99
Additions on Amalgamation	83,42	—
Additions during the year	53,23	33,20
Total	224,84	88,19
III. Share Premium Account		
Opening Balance	—	—
Additions during the year	166,32	—
Total	166,32	—
IV. Investment Fluctuation Reserve		
Opening Balance	—	—
Additions on Amalgamation	67	—
Additions during the year	59	—
Total	1,26	—
V. Amalgamation Reserve		
Opening Balance	—	—
Additions during the year	14,52	—
Total	14,52	—
Total	508,24	138,93

(Rs. Lacs)

	As at 31-03-2000	As at 31-03-1999
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SCHEDULE 3 – DEPOSITS

I. Demand Deposits

(i) From Banks	168,74	80,08
(ii) From Others	2,611,17	901,44

Total	2,779,91	981,52
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II. Savings Bank Deposits

	1,124,95	346,51
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III. Term Deposits

(i) From Banks	164,43	—
(ii) From Others	4,358,43	1,587,08

Total	4,522,86	1,587,08
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Total	8,427,72	2,915,11
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SCHEDULE 4 – BORROWINGS

I. Borrowings in India

(i) Reserve Bank of India	204,69	123,68
(ii) Banks	765,41	97,88
(iii) Institutions and agencies	440,38	204,93

Total	1,410,48	426,49
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II. Borrowings outside India

	18,26	21,39
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Total	1,428,74	447,88
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SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

I. Bills Payable	372,07	243,97
II. Interest Accrued	105,45	49,51
III. Others (including provisions)	371,11	190,96
IV. Proposed Dividend (including tax on dividend)	35,95	28,60

Total	884,58	513,04
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Schedules to the Accounts – (Contd.)

(Rs. Lacs)

	As at 31-03-2000	As at 31-03-1999
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand <i>(including foreign currency notes)</i>	41,26	15,91
II. Balances with Reserve Bank of India in current accounts	808,56	275,74
Total	849,82	291,65

SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

I. In India		
(i) Balances with Banks :		
(a) In current accounts	33,15	8,65
(b) In other deposit accounts	57	—
Total	33,72	8,65
(ii) Money at call and short notice :		
(a) With banks	48,48	36,09
(b) With other institutions	100,00	—
Total	148,48	36,09
Total	182,20	44,74
II. Outside India		
(i) In current accounts	98,61	20,25
(ii) Money at call and short notice	487,01	182,87
Total	585,62	203,12
Total	767,82	247,86

SCHEDULE 8 – INVESTMENTS

Investments in India in		
(i) Government securities	3,217,47	867,60
(ii) Other approved securities	11,94	—
(iii) Shares	256,99	146,66
(iv) Debentures and Bonds	1,866,32	858,95
(v) Units, Certificate of Deposits and Others	395,56	30,59
Total	5,748,28	1,903,80

Schedules to the Accounts – (Contd.)



(Rs. Lacs)

	As at 31-03-2000	As at 31-03-1999
SCHEDULE 9 – ADVANCES		
A (i) Bills purchased and discounted	571,20	294,55
(ii) Cash Credits, Overdrafts and Loans repayable on demand	1,467,93	503,27
(iii) Term loans	1,323,14	602,74
Total	3,362,27	1,400,56
B (i) Secured by tangible assets	2,957,88	752,87
(ii) Covered by Bank/Government Guarantees	199,31	122,26
(iii) Unsecured	205,08	525,43
Total	3,362,27	1,400,56
C Advances in India		
(i) Priority Sector	585,86	199,47
(ii) Public sector	12,37	26,30
(iii) Banks	169,23	107,52
(iv) Others	2,594,81	1,067,27
Total	3,362,27	1,400,56

(Advances are net of specific and general loan loss provisions)

SCHEDULE 10 – FIXED ASSETS

A. Premises (including Land)

Gross Block

At cost on 31st March of the preceding year	50,82	43,07
Additions on amalgamation	39,73	—
Additions during the year	13,07	7,75
Total	103,62	50,82

Depreciation

As at 31st March of the preceding year	2,83	1,65
Additions on amalgamation	6,27	—
Charge for the year	1,72	1,18
Total	10,82	2,83

Net Block

	92,80	47,99
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Schedules to the Accounts – (Contd.)

(Rs. Lacs)

	As at 31-03-2000	As at 31-03-1999
SCHEDULE 10 – FIXED ASSETS (Contd.)		
B. Other Fixed Assets (including furniture and fixtures)		
Gross Block		
At cost on 31st March of the preceding year	92,98	61,92
Additions on amalgamation	53,92	—
Additions during the year	53,22	31,26
Deductions during the year	(7,08)	(20)
Total	193,04	92,98
Depreciation		
As at 31st March of the preceding year	26,43	14,28
Additions on amalgamation	25,03	—
Charge for the year	23,04	12,25
On deductions during the year	(3,62)	(10)
Total	70,88	26,43
Net Block	122,16	66,55
C. Assets on Lease (Plant and Machinery)		
Gross Block		
At cost on 31st March of the preceding year	24,60	24,60
Additions on amalgamation	19,23	—
Total	43,83	24,60
Depreciation		
As at 31st March of the preceding year	3,71	2,14
Additions on amalgamation	1,59	—
Charge for the year	1,68	1,57
Total	6,98	3,71
Lease Adjustment Account		
As at 31st March of the preceding year	7,40	5,09
Additions on amalgamation	4,16	—
Charge for the year	3,49	2,31
Total	15,05	7,40
Unamortised cost of assets on lease	21,80	13,49
Total	236,76	128,03

Schedules to the Accounts – (Contd.)



(Rs. Lacs)

	As at 31-03-2000	As at 31-03-1999
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SCHEDULE 11 – OTHER ASSETS

I. Interest accrued	162,12	44,01
II. Advance tax (net of tax provisions)	14,88	13,61
III. Stationery and stamps	41	42
IV. Bond and share application money pending allotment	5,00	25,00
V. Security deposit for commercial and residential property	96,17	45,05
VI. Cheques in course of collection	275,93	138,87
VII. Other assets	136,68	111,10
Total	691,19	378,06

SCHEDULE 12 – CONTINGENT LIABILITIES

I. Claims against the bank not acknowledged as debts	1,74	4,45
II. Liability on account of outstanding forward exchange contracts	7,858,10	5,470,94
III. Liability on account of outstanding derivative contracts	979,54	445,08
IV. Guarantees given on behalf of constituents — In India	1,592,93	1,056,53
V. Acceptances, endorsements and other obligations	955,88	1,065,86
VI. Other items for which the Bank is contingently liable	244,57	380,07
Total	11,632,76	8,422,93

SCHEDULE 13 – INTEREST EARNED (net of interest tax)

I. Interest/discount on advances/bills	267,00	143,17
II. Income from Investments	366,78	182,20
III. Interest on balance with RBI and other interbank funds	45,63	50,45
IV. Others	46	26
Total	679,87	376,08

SCHEDULE 14 – OTHER INCOME

I. Commission, Exchange and Brokerage	83,19	40,92
II. Profit on Sale of Investments	21,27	15,13
III. (Loss)/Profit on sale of land, building and other assets	(10)	1
IV. Profit on exchange transactions	20,91	11,95
V. Miscellaneous Income	8	6
Total	125,35	68,07

Schedule to the Accounts – (Contd.)

(Rs. Lacs)

	As at 31-03-2000	As at 31-03-1999
SCHEDULE 15 – INTEREST EXPENDED		
I. Interest on Deposits	286,59	176,01
II. Interest on RBI/Inter-bank borrowings	64,64	40,14
III. Other interest	23,05	13,03
Total	374,28	229,18

SCHEDULE 16 - OPERATING EXPENSES

I. Payments to and provisions for employees	48,53	22,06
II. Rent, Taxes and Lighting	22,19	14,21
III. Printing & Stationery	10,25	5,11
IV. Advertisement and Publicity	11,37	4,99
V. Depreciation on bank's property	26,46	15,02
VI. Directors' fees, allowances and expenses	82	3
VII. Auditors' Fees and expenses	29	14
VIII. Law charges	41	6
IX. Postage, Telegram, Telephone etc.	15,05	9,29
X. Repairs and Maintenance	13,61	7,31
XI. Insurance	2,95	1,58
XII. Other Expenditure*	19,46	8,99
Total	171,39	88,79

* Other expenditure, inter alia, includes professional fees, travel and hotel charges, entertainment, Registrar and Transfer agency fees, system management fees and stamp duty on order of amalgamation.

SCHEDULE 17 – PROVISIONS AND CONTINGENCIES

I. Income tax	74,81	34,45
II. Wealth tax	3	2
III. Loan Loss provision	53,60	7,58
IV. Depreciation on investments	5,81	94
V. Others	5,26	79
Total	139,51	43,78

SCHEDULE 18 – EARNINGS PER EQUITY SHARE

Earnings per equity share have been calculated based on the net profit after taxation of Rs. 120,04 lacs (1998-99 : Rs. 82,40 lacs) and the weighted average number of equity shares in issue during the year of 20,24,07,484 (1998-99 : 20,00,00,000)

5.93 4.12

For the Year
1999-2000 1998-99

SCHEDULE 19 – NOTES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2000.

1. Capital Adequacy Ratio (Rs. Lacs)

The Bank's capital adequacy ratio, calculated in accordance with RBI guidelines, is as follows:

Tier 1 Capital	750,26	336,68
Tier 2 Capital	206,15	142,01
Total Capital	956,41	478,69

Total Risk weighted assets and contingents	7,847,24	4,035,66
--	----------	----------

Capital ratios

Tier 1	9.56%	8.34%
Total capital	12.19%	11.86%

2. Business ratios/information ratios

Interest income (net) as a percentage of working funds	4.74%	4.17%
Non – interest income as a percentage of working funds	1.92%	1.93%
Operating profit as a percentage of working funds	4.18%	3.52%
Return on assets (average)	1.84%	1.89%
Business per employee (Rs. lacs)	942	522
Profit per employee (Rs. lacs)	9.60	9.96
Percentage of net NPAs to customer assets	0.77%	1.08%

Working Funds is the daily average of total assets during the year.

"Business" is the total of net advances and deposits.

Productivity ratios are based on average employee numbers.

Net NPAs are non performing assets net of interest in suspense and specific provisions.

Customer assets include advances, credit substitutes like debentures and commercial paper and unamortised cost of assets leased out.

Operating profit is net of extraordinary items.

3. Amalgamation with Times Bank Limited

Times Bank Limited (TBL) was amalgamated with the Bank with effect from 26th February, 2000, in terms of the Scheme of Amalgamation sanctioned by the Reserve Bank of India vide their order dated 17th February, 2000. Accordingly, the entire business, properties, assets, rights, debts and liabilities, duties and obligations of Times Bank Limited were transferred to the Bank. The amalgamation is in the nature of merger resulting in transfer of assets, liabilities and issue of shares as consideration thereof at the following summarised values:

	Rs. Lacs
Net assets taken over	142,64
Reserves taken over on amalgamation	104,64
	38,00
Face Value of Shares issued to TBL equity shareholders	23,48
Reserves arising out of amalgamation	14,52

Schedule to the Accounts – (Contd.)

4. Preferential Allotment of Equity Shares

Pursuant to the amalgamation of Times Bank Limited with the Bank, to ensure that the shareholding percentage of the Bank's Promoter Group and strategic investors in the Bank's post-amalgamation paid-up equity share capital remains at or about the level held by them before amalgamation, the Bank issued equity shares at a price of Rs. 94/- per share in line with SEBI guidelines and as approved by the shareholders at the last general meeting. The shares were allotted on March 29, 2000:

Allottee	Number of shares
HDFC Holdings Limited	1,33,10,000
India Private Equity Fund (Mauritius)	13,70,000
Indocean Financial Holding Limited	51,20,000
Total	1,98,00,000

5. Employees Stock Option Scheme

Pursuant to the approval of the shareholders at the last general meeting, the Compensation Committee of the Board of Directors granted the first tranche of 45,00,000 share options to the employees of the Bank (and to directors, subject to the approval of Reserve Bank of India). The options will vest over three years—January, 2001 - 30%, January, 2002 - 30% and January, 2003 - 40% which can be exercised at a price of Rs. 131.33 per option, being the average of the daily closing price quoted on The Stock Exchange, Mumbai for a period of 60 days preceeding the date of the grant of options.

6. Calculation of weighted average Equity Share Capital in issue during the year :

Rs. Lacs

	As at March 31, 2000	Weighted Average for the Year 1999-2000
Opening as at April 1, 1999	200,00	200,00
issued to Times Bank Limited shareholders (effective the date of amalgamation viz. 26th February, 2000)	23,48	2,24
Preferential issue to Promoter's Group and strategic investors on 29th March, 2000	19,80	16
Total	243,28	202,40

7. Reserves and Surplus

Reserves and Surplus include Rs.104,64 lacs of reserves taken over on amalgamation and Rs.166,32 lacs of share premium arising out of preferential issue of equity shares to the Promoter's Group and strategic investors.

8. Subordinated Debt

In April 1999, the Bank raised a residual tranche of 7 year 3 month subordinated debt of Rs. 15 crores at an annualised coupon of 13.75% p. a. through private placement.

For calculating capital adequacy ratio, a discount factor of 20% is applied to the face value of bonds whose balance period to maturity as at 31st March, 2000 is less than five years and greater than four years.

9. Investments

During the year, the Bank made an investment in Computer Age Management Services Private Limited ("CAMS") constituting 19% of the equity share capital of CAMS. CAMS is a leading provider of Registrar and Transfer Agent services to mutual funds in India. The Bank also made investment in Acsys Software (India) Private Limited ("Acsys"), an associate software concern of CAMS, constituting 19% of the equity share capital of Acsys. Acsys specialises in providing software solutions related to mutual fund operations.

10. Advances

Advances are net of specific and general loan loss provisions, interest in suspense and bills rediscounted.

11. Interest Income

Interest income under the sub-head income from investments includes dividend received during the year on units, equity and preference shares amounting to Rs.32,67 lacs (previous year: Rs 283 lacs). Interest income is reported net of interest tax.

12. Interest Expense

Other interest expense includes interest on subordinated debt.

13. Commission, Exchange and Brokerage income

Commission, Exchange and Brokerage income includes lease rentals net of equalisation charge and is also net of correspondent bank charges and brokerage paid on purchase and sale of investments.

14. Operating Expenses

ESOP compensation expense

Payments to and provisions for employees include a charge of Rs. 12,79 lacs (previous year: Rs. Nil) being compensation expense relating to share options granted to employees. Also, directors' fees and allowances include a charge of Rs. 79 lacs (previous year: Rs. Nil) being compensation expense relating to share options granted to directors (subject to RBI approval). Whilst the options will vest in employees and directors over a 36 month period, the Bank thought it prudent to charge the entire compensation expense in the year of grant rather than amortise it over a 36 month period. As a result, the net profit for the year is lower by Rs. 12,47 lacs.

Depreciation

During the year, the Management reviewed the remaining useful life of certain fixed assets relating to electrical and technology equipment. Consequent to re-assessment of the remaining useful life of certain assets, the depreciation charge for the year is higher by Rs. 550 lacs. The net profit for the year is lower by an equivalent amount.

Other Expenditure

Other expenditure includes an amount of Rs. 372 lacs (previous year: Rs Nil) relating to stamp duty paid on the order of amalgamation pursuant to the Bombay Stamp Act, 1958.

15. Managerial Remuneration

Remuneration of the Managing Director pertaining to the period September 30, 1999 to March 31, 2000 is approved by the Reserve Bank of India. Shareholders' approval for the same is sought in the ensuing Annual General Meeting.

16. Maturity pattern :

Rs. Lacs

	1-14 Days	15-28 days	29 days- 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans and Advances	1203,25	227,19	616,28	274,98	243,47	666,90	328,56	22,44	3583,07
Investment Securities	794,94	249,71	815,84	373,65	325,81	1372,19	388,91	1525,81	5846,86
Deposits	1075,26	531,72	943,82	1262,89	826,49	3731,72	54,74	108	8427,72
Borrowings	1268,23	15,02	90,43	52,70	—	50	100	86	1428,74
Foreign currency assets	1051,34	1023,54	975,58	916,39	1348,59	35,44	19,63	—	5370,51
Foreign currency liabilities	928,52	986,26	959,49	893,32	1522,80	60,59	19,53	—	5370,51

* Assets and Liabilities are classified as per the guidelines issued by the Reserve Bank of India.

* Advances are gross of Bills rediscounted and general provisions.

* Investments are gross of Repos outstanding as at March 31, 2000

Schedule to the Accounts – (Contd.)

Rs. Lacs

17. Lending to sensitive sectors

As at
31 March 2000

Capital Market Sector	673,94
Real Estate Sector	31,93
Commodities Sector	149,91

These amounts represent lendings to customers in those sectors or against collateral directly linked to those sectors.

18. Movements in NPAs

Gross NPAs

As at 31 March 1999	39,10
Additions on amalgamation	61,67
Additions during the year	47,71
Less: Amounts recovered	22,43
Less: Amounts written off	422
As at 31 March 2000	121,83

Provisions

As at 31 March 1999	13,25
Additions during the year	76,95
Less: Amounts recovered	4,43
Less: Amounts written off	91
As at 31 March 2000	8,486

Net NPAs as at 31 March 1999 2,585

Net NPAs as at 31 March 2000 3,697

19. Comparative figures

Consequent on the merger of Times Bank Limited with the Bank, current year figures are not comparable with those of the previous year. Figures for the previous year have been regrouped to conform with the current year's presentation.

PRINCIPAL ACCOUNTING POLICIES

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 SIGNIFICANT ACCOUNTING POLICIES

1. Investments

All investments which cover both debt and equity investments are classified as 'Current' unless indicated otherwise 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 ('RBI') guidelines.

2. Advances

Advances are stated net of specific and general loan loss provisions, interest in suspense and bills rediscounted.

Advances are recognised as non-performing based on RBI guidelines. Interest on non-performing advances is credited to an interest suspense account and not recognised in the profit and loss account until received.

Specific loan loss provision in respect of non-performing advances are made based on management's assessment of the degree of impairment of the advances, subject to the minimum provisioning level prescribed in RBI guidelines.

The Bank also maintains general provisions to cover potential credit losses which are inherent in any loan portfolio but, not yet identified. These general provisions are linked to projected delinquencies for retail loans and other advances managed on a product program basis. For corporate standard assets, general provisions are determined having regard to overall portfolio quality, asset growth, economic conditions and other risk factors.

3 Fixed assets and depreciation

Fixed assets are capitalised at cost. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use are capitalised only where it increases the future benefit/ functioning capability from/of such assets.

Depreciation is charged over the estimated useful life of a 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 :

- * Improvements to leasehold premises are charged off over the primary period of lease
- * ATMs and Office equipment at 16.21% per annum
- * Other Computer equipment and motor cars at 25% per annum
- * Software and System development expenditure at 25% per annum
- * All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act
- * Items costing less than Rs 5,000/- are fully depreciated in the year of purchase

4 Transactions involving foreign exchange

Foreign currency assets and liabilities are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers' Association of India (FEDAI), except for certain deposits received under the Foreign Currency Non-Resident (B) Scheme and certain funds placed in certain overseas foreign currency bank accounts. Such deposits and placements are translated at the ruling spot rate at the time of swap, 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 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 and superannuation fund is recognised when due.

The Bank does not have a policy of providing Leave Encashment to its employees.

7 Fees and commission income

Fees and commission income is 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. The profits for the year ended 31 March 2000, include the revenues and expenditure of erstwhile Times Bank Limited for the period February 26, 2000 to March 31, 2000.

For and on behalf of the Board

S. S. THAKUR
Chairman

ADITYA PURI
Managing Director

SANJAY B. DONGRE
Vice President (Legal) &
Company Secretary

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
Dr. (Mrs.) AMLA SAMANTA
Dr. VENKAT RAO GADWAL
ANIL AHUJA
AMIT JUDGE
Directors

Mumbai, 14th April, 2000

Cash Flow Statement for the year ended 31st March, 2000

(Rs. Lacs)

	1999-2000	1998-99
Cash flows from operating activities		
Net profit before income tax	194,85	116,85
<i>Adjustment for :</i>		
Depreciation charge for the year (including lease equalisation charge)	29,95	17,33
Depreciation on investments	5,81	94
Loan Loss provisions	53,60	7,58
ESOS compensation expense	13,58	—
Contingency provision	5,26	79
Loss/(Profit) on sale of fixed assets	10	(1)
	303,15	143,48
<i>Adjustments for :</i>		
(Increase) in Investments	(2,400,66)	(783,41)
(Increase) in Advances	(802,09)	(566,16)
(Decrease)/Increase in Borrowings	671,77	393,18
Increase in Deposits	2,963,30	723,37
(Increase) in Other assets	(174,96)	(159,03)
Increase in Other liabilities and provisions	220,01	307,24
	780,52	58,67
Direct taxes paid	(50,71)	(34,71)
Net cash flow from operating activities	729,81	23,96
Cash flows from investing activities		
Purchase of fixed assets (including capital work in progress)	(66,29)	(38,65)
Proceeds from sale of fixed assets	3,36	11
Long term investments	(2,90)	—
Net cash used in investing activities	(65,83)	(38,54)
Cash flows from financing activities		
Proceeds from issue of preferential allotment of equity share capital	186,12	—
Proceeds from issue of subordinated debt	15,00	35,00
Dividend provided last year paid during the year	(28,60)	(22,00)
Dividend surcharge paid	(26)	—
Net cash generated from financing activities	172,26	13,00
Cash and cash equivalents on amalgamation	241,89	—
Net increase/(decrease) in cash and cash equivalents	1,078,13	(1,58)
Cash and cash equivalents as at 1st April	539,51	541,09
Cash and cash equivalents as at 31st March	1,617,64	539,51

For and on behalf of the Board

S. S. THAKUR
Chairman

ADITYA PURI
Managing Director

SANJAY B. DONGRE
Vice President (Legal) &
Company Secretary

Mumbai, 14th April, 2000

D. M. SATWALEKAR
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Dr. (Mrs.) AMLA SAMANTA
Dr. VENKAT RAO GADWAL
ANIL AHUJA
AMIT JUDGE
Directors

AUDITORS' CERTIFICATE

We have verified the above cash flow statement of HDFC BANK LIMITED which has been compiled from and is based on the audited financial statements for the years ended March 31, 2000 and March 31, 1999. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to Clause 32 of the Listing Agreement with The Stock Exchange, Mumbai.

For S. B. Billimoria & Co.
Chartered Accountants

Nalin M. Shah
Partner

Mumbai, 14th April, 2000

The Bank is committed to transparency in all its dealings and to provide better services and places uncompromising emphasis on integrity and regulatory compliance. The basic philosophy of corporate governance in the Bank is to enhance shareholder value keeping in view the needs and interests of other stakeholders.

BOARD OF DIRECTORS

The composition of the Board of Directors is governed by the provisions of the Banking Regulation Act, 1949. The Board is headed by the Chairman, Mr. S. S. Thakur and consists of eminent persons with considerable professional expertise and experience in banking, finance and other fields as specified in the said Act. As required by law, the Board includes two directors viz. Dr. (Mrs.) Amla Samanta and Dr. Venkat Rao Gadwal who have specialised knowledge and experience in the small scale industry and agriculture sectors respectively.

Three directors, Mr. D. M. Satwalekar, Mr. K. M. Mistry and Mr. N. M. Munjee represent the HDFC Group (the promoters) on the Board of the Bank. Two directors - Mr. Anil Ahuja and Mr. Arnold Chavkin have been nominated on the Board by the strategic investors, viz. The India Private Equity Fund (Mauritius) and Indocean Financial Holding Ltd., which are both funds advised by Indocean Chase Capital Advisers, the Indian affiliate of Chase Capital Partners (CCP). All directors other than the Managing Director, Mr. Aditya Puri, are non-executive directors.

BOARD MEETINGS

During the year under review 10 Board meetings were held one each on 21st April, 1999, 1st June, 1999, 5th June, 1999, 16th July, 1999, 14th October, 1999, 26th November, 1st January, 2000, 17th January, 2000, 8th February, 2000 and 29th March, 2000.

Details of attendance of each director at the Board meetings are as follows :

Name of Director	No. of Meetings attended
Mr. S.S. Thakur, Chairman	10
Mr. Aditya Puri, Managing Director	9
Mr. D. M. Satwalekar	9
Mr. K. M. Mistry	10
Mr. N. M. Munjee	6
Mr. J. S. Bajjal	8
Dr. (Mrs.) Amla Samanta	8
Dr. V. R. Gadwal	8
Mr. Anil Ahuja	5
Mr. Arnold Chavkin	—
Mr. Christopher FitzGerald	—
Mr. Christian J., Read	—

Mr. Christopher FitzGerald and Mr. Christian J. Read had resigned from the Board on 3rd June, 1999. Mr. Anil Ahuja and Mr. Arnold Chavkin were appointed as directors with effect from 16th July, 1999.

All the directors, other than Mr. Arnold Chavkin, Mr. Christopher Fitz Gerald and Mr. Christian J. Read had attended the last Annual General Meeting held on 1st June, 1999.

COMMITTEES OF DIRECTORS

The Board has constituted Committees of Directors to deal with matters which need quick decisions and timely monitoring of the activities falling within their terms of reference. The Board Committees are as follows :

AUDIT & COMPLIANCE COMMITTEE

The Committee approves and reviews the Bank's audit and compliance policies, procedures and techniques and other regulatory requirements. It also reviews the Bank's internal control systems and the functioning of its branches and divisions. The Committee met four times during the year.

COMPENSATION COMMITTEE

The Compensation Committee was constituted by the Board in October, 1999 with the following terms of reference :

- To review the overall compensation structure and policies with a view to retain and motivate the Bank's employees.
- To review the Bank's positioning in the industry in relation to compensation levels through compensation surveys etc.
- To consider giving stock options to the employees in the form of equity shares of the Bank.
- To consider any other compensation related issues or matters relating to the Bank's employees other than the Managing Director and the Chairman.

The remuneration of the Managing Director and the Chairman is approved by the Reserve Bank of India on the recommendation of the Board. Other directors are not paid any remuneration except a sitting fees of Rs. 2000/- for each Board meeting attended by them.

During the year the Committee held two meetings.

SHARE COMMITTEE

The Share Committee approves and monitors transfers, transmission, splitting and consolidation of shares and

Corporate Governance - (Contd.)

bonds issued by the Bank. This Committee will also monitor redressal of complaints from shareholders relating to transfer of shares, non-receipt of balance-sheet, dividends etc. .

The Committee met 69 times during the year.

RISK MONITORING COMMITTEE

The Committee monitors the Bank's credit and market risk policies and procedures, approves and reviews dealing authorities / limits for the Bank's treasury operations and reviews its risk monitoring systems and risk reporting procedures. The Committee also ensures that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudently diversified. During the year four meetings of the Committee were held.

CREDIT APPROVAL COMMITTEE

The Committee approves credit exposures which are

beyond the powers delegated to the executives of the Bank. This facilitates quick response to the needs of the customers and speedy disbursement of loans. The Committee held one meeting during the year since all proposals beyond the powers delegated to the executives were approved by the Board.

PREMISES COMMITTEE

This Committee approves purchase or hiring of premises for the use of the Bank's branches and executives in accordance with the guidelines laid down by the Board. The Committee held four meeting during the year.

COMMITTEES OF EXECUTIVES

The Bank has also constituted committees of executives which meets frequently to discuss and take decisions on management of assets and liabilities (ALCO) and other operations, personnel matters, etc.

COMPOSITION OF COMMITTEES OF DIRECTORS AND THEIR ATTENDANCE AT THE MEETINGS

Audit & Compliance Committee :

S S Thakur, Chairman	4
K. M Mistry	4
Anil Ahuja	2

Compensation Committee :

S S Thakur, Chairman	2
K. M Mistry	2
Anil Ahuja	2
Amla Samanta	2

Share Committee :

S S Thakur, Chairman	67
K. M Mistry	59
Aditya Puri	7
N. M Munjee	6

Risk Monitoring Committee :

N. M Munjee, Chairman	4
Aditya Puri	4
Anil Ahuja	2

Credit Approval Committee :

S S Thakur, Chairman	1
D.M. Satwalekar	1
K. M Mistry	1
Aditya Puri	1

Premises Committee :

S S Thakur, Chairman	4
Aditya Puri	4
K.G.Krishnamurthy, Advisor	4



EFFORTS TO SERVE YOU :

REDUCTION OF PROCESSING TIME FOR SHARE TRANSFERS :

The processing time for share transfer has been considerably reduced which is evident in the Transfer Deeds Processing chart appearing hereinafter. The average time taken for processing of share transfer and despatch of share certificates has been considerably reduced from an average of 10 days as of 31st March, 1999 to an average of 4 days as on 31st March, 2000.

We continue our efforts in ensuring safe delivery of share certificates and prevention of forged transfers.

CHANGE OF ADDRESS :

Whenever any change of address requests are received, we not only incorporate new addresses but also match all such requests with undelivered share certificates or undelivered \ unencashed warrants of previous years. If matched, duplicate dividend warrants or undelivered share certificates are forwarded to the shareholders even though no such requests are received.

If any requests for dematerialisation of shares are received from the shareholders whose dividend warrants are not encashed, we update the addresses in the Registrar's records and mail duplicate dividend warrants to such shareholders at their updated addresses. This exercise is carried out at periodic intervals.

UNCLAIMED DIVIDEND

Before the expiry of validity of dividend warrants, we had sent reminders to the shareholders in receipt of dividend in excess of Rs. 4000/- to encash their dividend warrants at the earliest.

Immediately upon reconciliation, duplicate dividend warrants were mailed to the shareholders whose dividend were unencashed. These duplicate warrants have been issued on certain criteria / norms.

We have issued duplicate dividend warrants to such shareholders who have encashed their dividend warrants in the current year but have not claimed the previous year's dividend.

ISSUANCE OF DUPLICATE SHARE CERTIFICATE/S

To minimise the stop transfer tags in the Registrar's master files arising out of requests received for duplicate share

certificates, we have sent reminders to these shareholders with simplified procedure for issue of duplicate share certificates. This initiative has been very successful and the number of stop transfer tags in the master-files have reduced considerably.

We ensure that duplicate certificates are posted within 25 days from the date of publication of advertisements relating to loss of share certificate/s.

ECS MANDATES

We have requested the shareholders in all our communications to them to opt for ECS by which dividend amount can be credited to their bank accounts directly. During the year we have obtained ECS mandates for over 15000 folios and these shareholders would get their dividend by means of ECS.

INVESTORS HELPDESK

Share transfers, Dividend payments and all other investor related activities are attended to and processed at the office of our Registrars and Transfer Agents. For lodgment of transfer deeds and any other documents or for any grievances / complaints kindly contact at the following address :-

Mrs. Valsa Sajan / Mr. Sachin Manave
MCS Limited, Registrars and Transfer Agents
Unit : HDFC Bank, Sri Venkatesh Bhavan,
Plot No 27, Road No 11, MIDC Area,
Andheri (East), Mumbai 400093.

Telephones : 8215235 / 36 / 37
Fax : 8350423
E- mail : mcsnum@bom2.vsnl.net.in
Counter Timing : 10.00 A.M. to 4.00 P.M.
(Monday to Saturday)

For the convenience of investors we do accept transfers only upto 500 shares and complaints from our investors at our Registered Office address viz : Sandoz House, Dr. Annie Besant Road, Worli, Mumbai 400018.

Kindly contact **Investors Helpdesk** between 10.30 a.m. to 3.00 p.m. between Monday to Friday (except on Bank holidays).

Telephone : 4951616 Extn. 1116
Fax : 4951771.
E mail : investors.helpdesk@hdfcbank.com

Shareholder's Information - (Contd.)

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS AS ON 31ST MARCH, 2000

City	No. of Folios	Percentage	No. of Shares
Ahmedabad	15114	4.45	2802583
Bangalore	16116	4.74	2330219
Calcutta	14107	4.15	4476278
Chennai	11351	3.34	2521709
Hyderabad	7315	2.15	1141212
New Delhi	33137	9.75	6819955
Mumbai	102132	30.06	142923352
Pune	14622	4.30	2538358
Vadodara	7628	2.24	1266926
Others	118277	34.81	76457669
Total	339799	100.00	243278261

DISTRIBUTION OF SHAREHOLDING AS ON 31st MARCH, 2000

No. of equity shares held	Folio		Shares	
	Nos.	% age	Nos.	%age
upto 00500	331345	97.512	40427888	16.62
00501 to 01000	5114	1.505	3963027	1.63
01001 to 02000	1558	0.459	2328076	0.96
02001 to 03000	454	0.134	1140551	0.47
03001 to 04000	225	0.065	803656	0.33
04001 to 05000	220	0.065	1012972	0.41
05001 to 10000	425	0.125	3112298	1.28
10001 & above	458	0.135	190489793	78.30
Total	339799	100.000	243278261	100.00

GENERAL BODY MEETINGS

Date and Venue of last few General Meetings		
	Date	Venue
EGM*	1st January, 2000	Patkar Hall, S.N.D.T. Women's University, 1, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.
5th AGM	1st June, 1999	- As above -
4th AGM	13th July, 1998	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.
3rd AGM	24th July, 1997	- As above -

* Two special resolutions were passed. No postal ballots were used / invited for voting at these meetings.

LISTING ON STOCK EXCHANGES

The shares of the Bank are listed on, The Stock Exchange Mumbai (**stock code 180**), National Stock Exchange of India Limited (**stock code HDFC BANK**) and The Stock Exchange Ahmedabad.

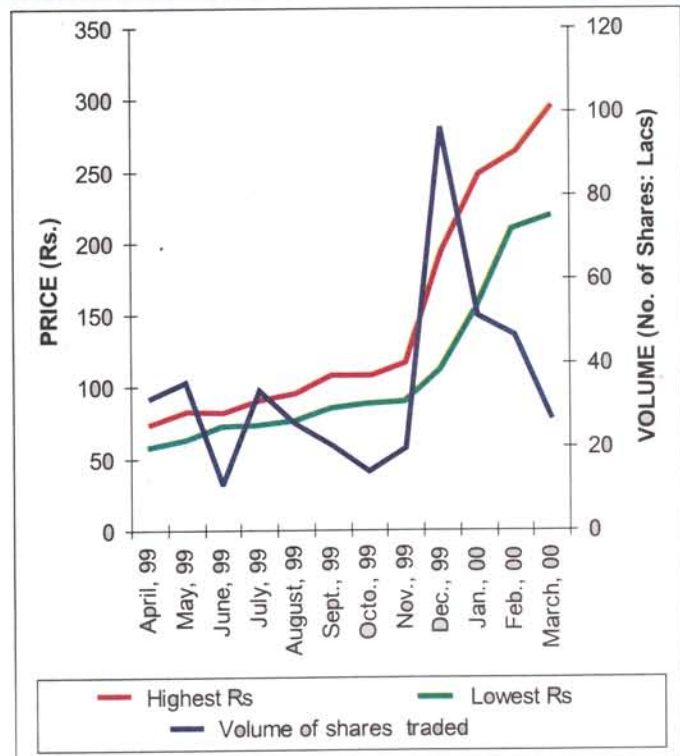
FINANCIAL CALENDER

Financial year 1st April, 1999 to 31st March, 2000	
Board Meeting for considering of Accounts and recommendation of dividend.	14th April, 2000
Posting of Annual Report	On or before 24th April, 2000
Book Closure dates	25/04/2000 to 19/05/2000
Date of despatch of share certificates pursuant to the Scheme of Amalgamation	On or around 6th May, 2000
Last date for receipt of proxy forms	17th May, 2000 (before 3.30 p.m.)
Date of 6th AGM	19th May, 2000
Dividend payment date	20th May, 2000
Probable date of despatch of warrants	20th to 26th May, 2000
Board Meeting for considering un-audited result for first 3 quarters	By 20th day of the succeeding quarter.
Date of circulating the half yearly un-audited results	Before 5th November, 2000

SHARE PRICE / VOLUME

The monthly high and low quotation and the volume of Shares traded on NSE are as under			
Period	Highest Rs	Lowest Rs	Volume of shares traded
April, 1999	71.90	58.50	3105525
May, 1999	82.00	63.05	3519423
June, 1999	80.50	72.00	71062761
July, 1999	90.90	73.10	3301304
August, 1999	94.95	76.60	2523697
September, 1999	106.90	84.00	2000000
October, 1999	106.95	88.00	1372600
November, 1999	115.40	89.00	1940342
December, 1999	191.60	112.95	9578671
January, 2000	246.15	155.10	5084464
February, 2000	262.00	209.50	4620174
March, 2000	295.00	218.00	2620042

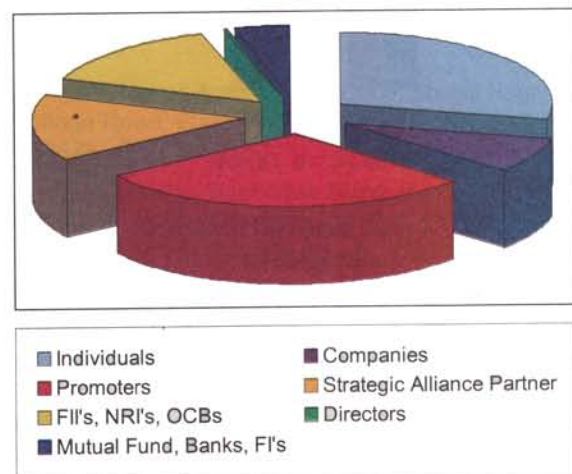
SHARE PRICE CHART



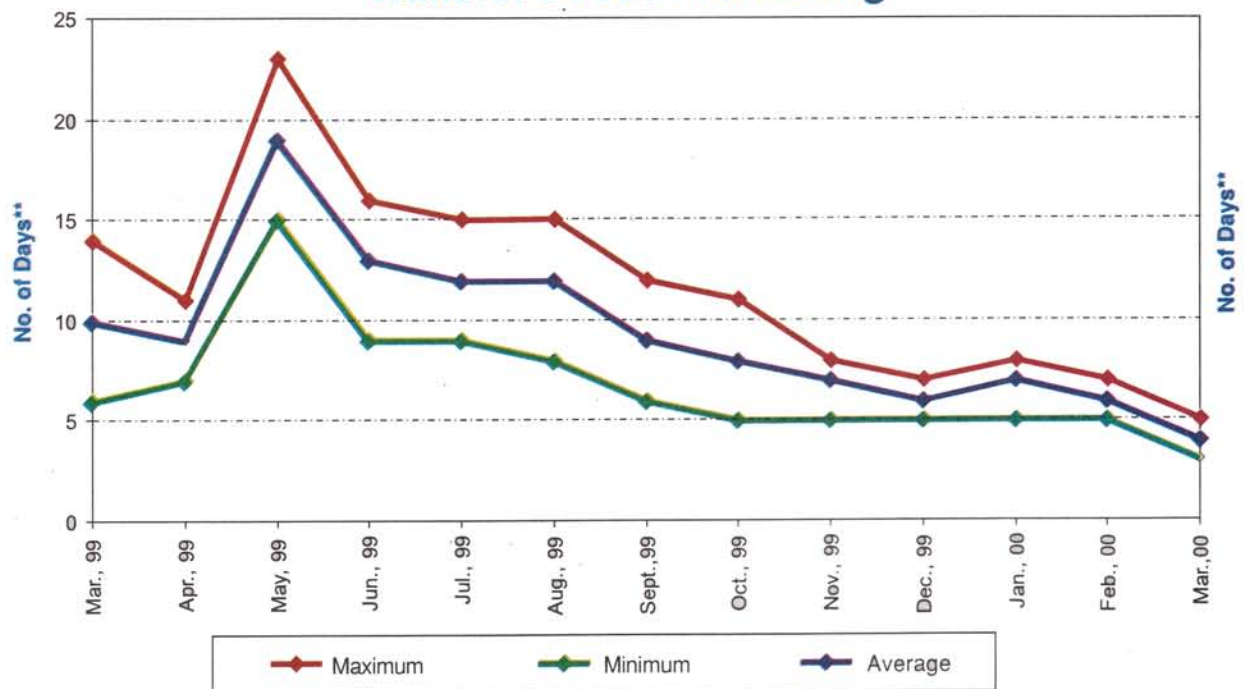
CATEGORIES OF SHAREHOLDERS AS ON 31st MARCH, 2000

Category	No. of shareholders	No. of Shares	%age
Individuals	336119	70143787	28.833
Companies	2228	18842621	7.745
Promoters	3	70860000	29.127
Strategic Alliance Partner	2	36489800	14.999
FII's, NRI's, OCBs	1311	35845906	14.735
Directors	6	712712	0.293
Mutual Fund, Banks, FI's	130	10383435	4.268
Total	339799	243278261	100.000

SHAREHOLDING PATTERN

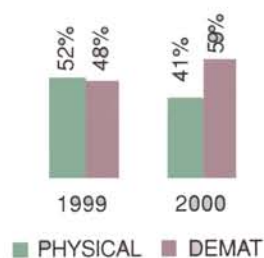


Transfer Deeds Processing*

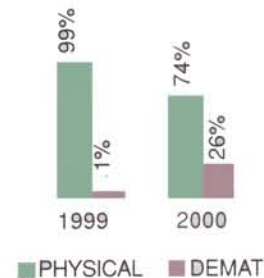


* Pertain to transfers lodged at the office of MCS Limited, Andheri, Mumbai which are valid and not subject to Seller Notice, Court injunction / Stop transfers etc.
 ** From the date of receipt of transfer deeds till the date of despatch of share certificates.

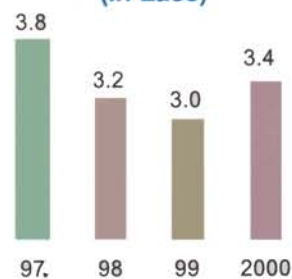
NUMBER OF SHARES IN PHYSICAL & DEMAT FORM (%)



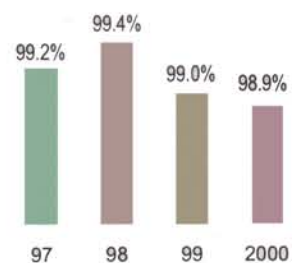
NUMBER OF SHAREHOLDERS IN PHYSICAL & DEMAT FORM (%)



TOTAL NO. SHAREHOLDERS (In Lacs)



INDIVIDUAL SHAREHOLDERS (% to the Total Shareholders)



WESTERN ZONE

MUMBAI

Manekji Wadia Bldg, Ground Floor, Nanik Motwani Marg,
Fort, Mumbai 400 001.

Tel : 2703354 / 56. Fax : 2703392

Times of India Bldg, **Dr. D N Road**, Mumbai 400 001.

Tel : 2679951 / 55. Fax 2679944/49

101-104 Tulsiani Chambers, Free Press Marg, **Nariman Point**, Mumbai 400 021.

Tel : 2851515 / 2854961. Fax : 2855949

Mistry Bhavan, Dinshaw Vacha Road, 122 Backbay
Reclamation, **Churchgate**, Mumbai 400 020.

Tel : 2045634 / 2845214. Fax : 2045658

Punita Bldg, S. B. Singh Marg, **Colaba**, Mumbai 400 005.

Tel : 2826018 / 2826011. Fax : 2826961

Imperial Mahal, Dr. Babasaheb Ambedkar Road,
Khodadad Circle, **Dadar TT**, Mumbai 400 014.

Tel : 4182717 / 4182696. Fax : 4182698

•Kamala Mills Compound, S. B. Marg,
Lower Parel (West), Mumbai 400 013.

Tel : 4924868 / 4925049. Fax : 4925121

Tirupati Apartments, **Bhulabhai Desai Road**,
Mumbai 400 026.

Tel : 4962525 / 4961318. Fax : 4961383

Noorie Castle, **Nepeansea Road**, Mumbai 400036.

Tel : 3620018 / 19. Fax : 3620020

Sandoz House, Dr. Annie Besant Rd, **Worli**,
Mumbai 400 018.

Tel : 4951616. Fax : 4951771

Foundation of Medical Research Bldg, 84-A,
R. G. Thadani Marg, **Worli**, Mumbai 400018.

Tel : 4926612 / 4926683. Fax : 4953934

"EL-DORADO", Narayan Dhuru Marg,
Opp. Veer Savarkar Marg, **Prabhadevi**, Mumbai. 400 025.

Tel : 4316902 / 4316903. Fax : 4316905

•Bombay Scottish School Premises, Veer Savarkar Road,
Mahim, Mumbai 400 016.

Tel : 4469378 / 4469364. Fax : 4469362

Pali Hill, Navroz Premises Co-op Soc. Ltd, 66, Pali Hill
Road, **Bandra (W)**, Mumbai 400 050.

Tel : 6041863 / 6041933. Fax : 6041964

Swagatam, Opp. Khar Police Stn., S. V. Road,
Khar (West), Mumbai 400 052.

Tel : 6051122 / 6051414. Fax : 6045656

Sana "A" Bldg., Junction of Linking Road & Saraswati
Road, **Santacruz (West)**, Mumbai 400 054.

Tel : 6046833 / 6046835. Fax 6046890

The Amaltas Co-op. Soc. Ltd., Juhu Versova Link Road,
Ward-K, **Andheri (West)**, Mumbai 400 053.

Tel : 6250740 / 6250741. Fax : 6286152

12-17, Vishal Shopping Centre, Sir M. V. Road,
Andheri (East), Mumbai - 400 069.

Tel : 8235597 / 8312571. Fax : 8235598

"Arbour", 180-A, Marve Road, Orlem, **Malad (W)**,
Mumbai 400 064.

Tel : 8887424 / 8887425. Fax : 8887423

Maya, 15th Road, **Chembur**, Mumbai 400 071.

Tel : 5282557 / 5284013. Fax : 5282545

170/171, Anchorage Building, Central Avenue,
Chembur, Mumbai 400 071.

Tel : 5282519 / 5282631. FAX : 5282503

S-18, Mulund Indl. Services, C.H.S.L. Nahur Road,
Opp. Galanagar, **Mulund (West)**, Mumbai 400 08.

Tel : 5907239 / 5907237. Fax : 5901089

THANE

Pooja Apartments, Evershine Nagar, **Vasai (E)**,
Thane (District).

Tel : 912-454911 / 454912. Fax : 454914

Vishnupratibha Complex, Agashe Road,
Virar (West), Thane 401 303.

Tel : 912-507942 / 507945. Fax : 912-507943

NAVI MUMBAI

•HDFC Annexe, Plot 82 Sector 17, **Vashi**,
Navi Mumbai 400 703.

Tel : 7892960 / 7892969. Fax : 7892957

PATALGANGA

Lodhivali Village, Reliance Township, Market Building,
Dist. Raigad 410 206.

Tel : 55203. Fax : 55202

PUNE

Plot No. 148/B, Netrali Apt.s, CTS No. 309, Shivaji Nagar,
Law College Road, Pune 411 004.

Tel : 5650678. Fax : 5650720

9/2 Kalpataru Gardens, **Boat Club Road**, Pune 411 001.

Tel : 604290. Fax : 604295

"Puspak", 90, Anand Park, ITI-Baner Road, **Aundh**,
Pune 411 007.

Tel : 5885510. Fax : 5885520

Oswal Bandhu Samaj Building, **Shankar Seth Road**,
Pune 411 042.

Tel : 648914. Fax : 648924

Mantri House, 929 **Fergusson College Road**,
Pune 411 004.

Tel : 5673751 / 2. Fax : 5673750.

Branch Network - (Contd.)

COIMBATORE

Damodar Centre, 1049-50, **Avanashi Road**,
Coimbatore 641 018.

Tel : 213713. Fax : 215605

Classic Towers, 1547 **Trichy Road**, Coimbatore 641018.

Tel : 300191. Fax : 300857

TRICHUR

1st Floor, Kalliyath Royal Square, Palace Road, **Trichur**.

Tel : 330975. Fax : 330982

TRICHY

Lakshmi Arcade, A-10, 11th Cross, Thillai Nagar, Main
Road, **Trichy**.

Tel : 769790. Fax 769796

TRIVANDRUM

Kenton Towers, Near Kalabhavan Theatre, Bazhuthacaud,
Trivandrum.

Tel : 337610. Fax : 337616

BANGALORE

24/3 HDFC House,

Kasturba Gandhi Road, Bangalore 560 001.

Tel : 2275572. Fax : 2216874

63/1, 3rd Main, 18th Cross, **Malleshwaram**,

Bangalore 560 005.

Tel : 3461462. Fax : 3461468

Royal Arcade, Koramangala Indl. Area, **Koramangala**,
Bangalore 560 095.

Tel : 5521227. Fax : 5521224

Golden Towers, Next to Golden Enclave, **Airport Road**,

Kodihali, Bangalore 560 017.

Tel : 5268593. Fax : 5268591

P.B. No. 5106, Shankaranarayana Building 25/1, **Mahatma
Gandhi Road**, Bangalore 560 001.

Tel : 5591703. Fax : 5092591

G 01, Discoverer Bldg., **I.T. Park**, White Field Road,
Bangalore 560 066.

Tel : 8410116. Fax : 8410119

KOTTAYAM

Unity Buildings, K. K. Road, **Kottayam 686 002**.

Tel : 300362. Fax : 300816

EAST ZONE

CALCUTTA

Stephen House, 4, **BBD Bag** (East), Calcutta 700 001.

Tel : 2210820. Fax : 2210819

B-A/3, Sector 1, **Salt Lake City**, Calcutta 700 064.

Tel : 3583691. Fax : 3584320

132/A, **Southern Avenue**, Opp. Ramkrishna Mission,
Golpark, Calcutta 700 029.

Tel : 4631381. Fax : 4631384

174A **New Alipore**, Block-G, Ground Floor, Calcutta 700 053.

Tel : 4463941. Fax : 4463940

Rohini, Sodepur Road, **Madhyamgram**, 24 Parganas.

Tel : 5387171. Fax : 5379071

Dhariwal House, VIP Road, **Raghunathpur** District,
24 Parganas (Norh).

Tel : 5594500. Fax : 5594501

Central Plaza, 2/6, Sarat Bose Rd., Calcutta.

Tel : 4559309. Fax : 4559484

Constantia Building, 11, **Dr. U. N. Bramachari Street**,
Calcutta 700017.

Tel : 2804646. Fax : 2805068

63/2 S P Mukherjee Road, **Dum Dum Cantonment**,

Calcutta 700028.

Tel : 5497986. Fax : 5497990

BRANCHES OPENING SHORTLY

Chaitanya Jyoti Maskati Plot, Opp. Raymond's Showroom,
Surat Dumas Road, Surat - 395 007.

Damodar Building, Ground Floor, Swantantra Path,
Vasco da Gama, Goa - 403 802.

Vaastushri, 3, Thattee Nagar, **Gangapur College**,
Link Road, Nashik - 422 005.

Nageetha Complex, III Cross, Double Road,
Saraswathy Puram, Mysore

204, Mashuwala Mrg, **Dharampeth** Extn. Nagpur - 440 010.

Narayan Square, Behind Octroi Naka, **Link Road**,
Bharuch - 392 001

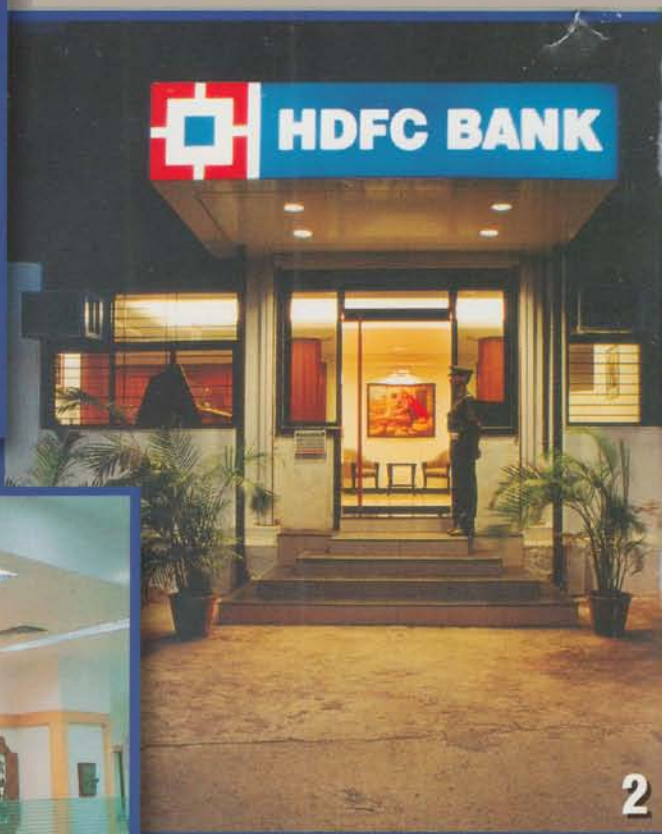
•Extension Counter



HDFC Bank Training Centre



1



2



4



3

1. Branch at Bhopal
2. Lower Parel extension counter
3. Typical ambience at HDFC Bank Branch
4. Branch at Central Plaza, Calcutta