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Annual Report 2018-2019





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Board of Directors

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

Auditors

BSR & Co., LLP
Chartered Accountants

Bankers

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

Company Secretary

Mr. N. E. Venkitakrishnan

Registered Office

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

Registrar & Share Transfer Agents

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

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors are pleased to present the 19th Annual Report on the business and operations of the Company together with audited accounts for the year ended 31 March, 2019. FY19 was the first year of applicability of Indian Accounting Standards (IND AS) that have been harmonised with International Financial Reporting Standards (IFRS).

FINANCIAL RESULTS AS PER IND AS

(Previous years' figures restated)

	(Rs. in Crore)	
	Year ended	Year ended
	<u>31-3-2019</u>	<u>31-3-2018</u>
Total Income	782.05	800.07
Total Expenses	268.18	260.32
Profit before depreciation	513.87	539.75
Depreciation and Amortisation	18.64	15.13
Profit before tax	495.23	524.62
Provision for Tax	165.41	179.89
Profit after tax	329.82	344.73
Balance brought forward	945.45	759.66
Amount available for appropriation	1275.27	1104.39
Dividend (Interim and Final)	155.85	132.05
Tax including surcharge and education cess on dividend	32.04	26.89
Balance carried over to Balance Sheet	1087.38	945.45

OPERATIONS

During the year under review, the Company's total income amounted to Rs.782.05 crore as against Rs.800.07 crore in the previous year. The operations

have resulted in a net profit after tax of Rs.329.82 crore as against Rs. 344.73 crore in the previous year. The Company has emerged as a strong player in the financial services space offering complete financial services along with the core broking product. The Company had 278 branches across 165 cities in the country as on 31 March 2019 and also has multiple digital platforms to enable its customers have easy access to its products.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic Outlook

Output:

The RBI in its April 2019 policy has projected GDP growth for FY20 at 7.2 % – in the range of 6.8-7.1 % in H1:FY20 and 7.3-7.4 % in H2:FY20 – with risks evenly balanced.

The growth outlook is likely to be influenced by weakening domestic investment activity as reflected in a slowdown in production and imports of capital goods. The moderation of growth in the global economy might impact India's exports. However, business expectations continue to be optimistic. On the positive side, higher financial flows to the commercial sector augur well for the economic activity. Private consumption, which has remained resilient, is also expected to get a fillip from public spending in rural areas and an increase in disposable incomes of households due to tax benefits. According to the Indian Meteorological Department (IMD) forecast, 2019 monsoons are expected to be near normal at 96% of the Long Period Average (LPA). The IMD doesn't expect any adverse impact on the monsoons from El Nino pattern. However according to Skymet Weather, India Monsoon 2019 is likely to be 'below normal' to the tune of 93% of the LPA of 887 mm for the four-month period from June to September with 55% chance of below normal (seasonal rainfall that is between 90 to 95% of LPA). If this prediction comes out to be true, it may impact economic growth prospects. Overall we remain cautiously optimistic.

Inflation:

India's retail inflation saw a marginal increase to 2.86% in March 2019 from 2.57% in February 2019, on the back of rise in prices of food articles and fuel. The cumulative CPI inflation has declined to 3.41% in FY19 compared with 3.59% in FY18. The CPI inflation has consistently declined from 5.9% in FY15 to 4.9% in FY16, 4.5% in FY17, 3.6% in FY18 and further down to 3.4% in FY19.

Wholesale price inflation rose to a 3-month high of 3.18 % in March 2019 on costlier food and fuel as compared to 2.93% in February 2019 and 2.74% in March 2018.

In RBI's April 2019 monetary policy, inflation is now projected downwards at 2.4% in Q4:FY19, 2.9-3% in H1:FY20 and 3.5-3.8% in H2: FY20 with risks broadly balanced.

The fiscal and external situation:

Although direct tax collections have surged by 20.4% to Rs 11.4 lakh crore for FY19, they have fallen short by ~Rs 60,000 crore of the Rs 12 lakh crore collection target. Goods and Services Tax (GST) collection in March 2019 rose 15.6% from a year ago to hit Rs 1.06 lakh crore, the highest since the new indirect tax system took effect on 1 July 2017. GST mop-up for the whole of FY19 stands at Rs 11.77 lakh crore, ahead of the revised estimate of Rs 11.47 lakh crore.

Trade deficit in FY19 increased to USD 176.42 billion, compared to USD 162.05 billion in the previous year. Exports of goods in FY19 registered a 9.06 % growth to hit a new high of USD 331 billion, breaching the previous high of USD 314 billion clocked in 2013-14. Imports in FY19 grew 8.99 % to USD 507 billion.

The country's current account deficit widened to 2.5% of GDP (USD 16.9 billion) in the third quarter of the current fiscal from 2.1% (USD 13.7 billion) a year ago, primarily on account of a higher trade deficit though the foreign exchange reserves continued to soar. India's foreign exchange reserves however stood high at USD 413.78 billion in the week ended 5 April , 2019.

Foreign direct investment in India fell 7% to USD 33.5 billion in the nine months to December 2018, signalling slowing investment before upcoming elections. The decline in foreign direct investment in India is in contrast to the boom seen in its Southeast Asian peers most likely due to global headwinds and political uncertainty spawned by the upcoming elections

Capital Markets

The equity market moves, and the way ahead:

The year was marked by several issues starting from high crude oil prices, rupee faltering to new record lows, liquidity crisis in the Non-Banking Financial Companies (NBFCs), US-China trade tensions and delay in Brexit breakthrough among others.

Despite these challenges, the Indian equities market emerged as one of the best performers globally in FY19. The BSE Sensex rose nearly 17.3% in FY19, while the Nifty50 rose by 14.9% during same period – the rise in both being the highest in any fiscal since FY10. However, the broader markets underperformed frontliners with the Nifty Midcap100 Index falling 2.7% and Nifty Smallcap100 declining 14.4% in FY19.

A total of Rs 56,440 crore was raised through the public equity markets in FY19, a year marked by volatile stock market trends alongside underlying sluggishness in corporate investments. This amount was 68 % lower than Rs 1.75 lakh crore that was raised in the preceding year, according to Prime Database.

In FY19 the Depositories' data showed that Foreign Portfolio Investors (FPIs) pulled out a net sum of Rs 88 crore from equities and Rs 42,357 crore from the bonds market, taking the total net outflow to Rs 42,445 crore. In comparison, FPIs had infused a net amount of Rs 25,635 crore in the equities and over Rs 1,19,036 crore in the debt market, a total net investment of Rs 1,44,671 crore in the previous fiscal.

Growth is slowing across the globe – in the Euro area including Germany, USA (seems to be in late cycle), China etc. This is happening despite continued soft monetary policies and indicates the ineffectiveness of monetary policies beyond a point in influencing growth rates. This is likely to keep growth slow and shallow, credit conditions easy and waning financial market volatility in focus.

In India, GDP growth has been slowing; consensus forecasts are being revised down. A sharp monetary contraction is slowing the economy as growth in money supply is lagging the GDP growth. While Bank credit growth has picked pace lately, the total credit growth is yet to rise at a similar pace. This slowdown is driven by consumption (especially high value discretionary- as the effect of pay commission arrears payout is fading now). Investment activity, however, continues to grow in double-digits. This is reflected in the growth of cement and steel demand as well as in construction equipment. Early shoots of private capex are visible (except in power). However, a fiscal stimulus (FY20 budget stimulus plans of about INR 1 trillion) and monetary stimulus (a rate cut) have boosted the near-term growth outlook.

Global index provider MSCI will quadruple the weightage of Chinese mainland shares in its global benchmarks later this year, potentially drawing more than USD 80 billion of fresh foreign inflows to the world’s second-biggest economy. This raising of China weightage will lead to lower weights for other countries including India with its corresponding effects on FPI flows.

We believe that globally, the trade war and its outcome, rate increase/monetary tightening and geopolitical stability will remain key themes in 2019. In India, the health of its financial system, the outcome of general elections and the confidence that the new government instils in the minds of global and local investors will remain important. India as a country will have to work towards reducing regulation, avoiding policy flip-flops, ensuring compliance, improving legal delivery, monitoring capacity creation by lenders and assuring entrepreneurs with certainty of policies for a reasonable period of time.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 134 (3) (a) extract of Annual Return as provided under sub-section (3) of Section 92 is available on the web-site of the company www.hdfcsec.com

BOARD MEETINGS

During the year under review, 6 (six) Board Meetings were held. The meetings were held on 16 April, 2018, 22 June, 2018, 27 September, 2018, 29 November, 2018, 14 January, 2019 and 1 March, 2019.

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

Name of Director	Attendance at Board Meetings	Directorship of other Companies	Sitting Fees (Rs.)
Mr.Abhay Aima	5	2	5,50,000
Dr. (Mrs.) Amla Samanta	6	4	6,75,000
Mr.Ashish Rathi	6	0	Nil
Mr. Bharat Shah	6	11	6,25,000
Mr. Bhavesh Zaveri	4	4	2,75,000
Mr. Dhiraj Relli	6	0	Nil
Mr. Jagdish Capoor	5	7	4,25,000
Mr. S.S. Thakur	5	8	6,50,000

COMPOSITION AND SIZE OF THE BOARD

The composition of the Board of Directors of the Company (“the Board”) is governed by the Companies Act, 2013 & the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The Board had 8 (eight) Directors as on 31 March, 2019. Mr. S.S.Thakur has incurred a disqualification pursuant to the provisions of Section 164 (2) as per the data uploaded on the web site of the Ministry of Company Affairs. Mr. S. S. Thakur has submitted his resignation at the Board Meeting held on 16 April, 2019. Mr. Bhavesh Zaveri was appointed as an Additional Director by the Board pursuant to Section 161 of the Companies Act, 2013

as per the recommendations of the Nomination and Remuneration Committee to hold office up to the conclusion of the ensuing Annual General Meeting. Mr. Bhavesh Zaveri has tendered his resignation at the meeting held on 16 April, 2019. All the Directors other than Mr. Dhiraj Relli and Mr. Ashish Rathi are non-executive directors as on the date of this report. The Company has 1 (one) Independent Director and 5 (five) non-independent directors as on the date of this report.

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

Dr. (Mrs.) Amla Samanta is an Independent Director on the Board.

None of the directors are related to each other

COMPOSITION OF COMMITTEES OF DIRECTORS

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

The various Committees of the Board as on 31 March, 2019 are as follows:

Audit Committee:

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

The Committee met 6 (six) times during the year. The meetings of the Committee were held on 16 April, 2018, 22 June, 2018, 27 September, 2018, 29 November, 2018, 14 January, 2019 and 1 March, 2019.

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

- a. Recommending appointment, remuneration and terms of appointment of auditors of the Company;
- b. Reviewing and monitoring the auditor's independence, performance and effectiveness of the audit process;

- c. Reviewing with management, the financial statements and the auditors' report thereon focussing primarily on accounting policies and practices, compliances with other requirements concerning financial statements;
- d. Approvals or any subsequent modification of transactions of the Company with related parties;
- e. Reviewing the adequacy of the Company's financial controls and risk management systems;
- f. Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures, techniques and other regulatory requirements.

Nomination & Remuneration Committee:

The Company has constituted a Nomination and Remuneration Committee for identification and recommending the appointment of Directors, Key Managerial Personnel and Senior Management Personnel. The Nomination and Remuneration Committee scrutinises the appointment of Directors, Key Managerial Personnel and Senior Management Personnel based on positive attributes, independence, qualifications, integrity etc. The Committee ensures that there is balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals thereby formulating various policies to achieve the same.

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

The Committee met thrice during the year. The meetings of the Committee were held on 16 April, 2018, 22 June, 2018 and 27 September, 2018.

CAPEX Committee:

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

The members of the Committee are Mr. Abhay Aima, Mr. Bharat Shah, Mr. Bhavesh Zaveri, Mr. Dhiraj Relli and Mr. Jagdish Capoor. The Committee met 4 (four) times during the year. The meetings of the Committee were held on 16 April, 2018, 27 September, 2018, 14 January, 2019 and 1 March, 2019.

Share Allotment and Transfer Committee:

The Share Allotment and Transfer Committee approves and monitors allotments, transfers, transmission, splitting and consolidation of shares issued by the Company. The Committee consists of Mr. Bharat Shah, Mr. Bhavesh Zaveri, Mr. Dhiraj Relli and Mr. Ashish Rathi. The Committee held one meeting during the year on 1 March, 2019.

Corporate Social Responsibility (CSR) Committee:

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

- a. To formulate the Company’s CSR strategy, policy and goals;
- b. To recommend the amount of expenditure to be incurred every financial year on the CSR activities;
- c. To monitor the Company’s CSR policy and performance;
- d. To review the CSR projects/initiatives from time to time.

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

The Committee met 5 (five) times during the year. The meetings of the Committee were held on 16 April, 2018, 22 June, 2018, 27 September, 2018, 29 November, 2018 and 1 March, 2019.

Investment Management Committee:

The Investment Management Committee considers and approves the investment of funds by the Company within the overall limits approved by the Board. The Committee consists of Mr. Dhiraj Relli, Mr. C.V. Ganesh and Mr. N. E. Venkitakrishnan. The Committee met 4 (four) times during the

year. The meetings of the Committee were held on 27 April, 2018, 22 June, 2018, 27 September, 2018 and 1 March, 2019.

Research Analyst Remuneration Committee:

The Research Analyst Remuneration Committee considers and approves the remuneration of individuals employed as Research Analyst in accordance with the Policy and Procedures framed for regulating the Research Analyst pursuant to the SEBI (Research Analyst) Regulations, 2014. The Committee consists of Mr. S. S. Thakur, Mr. Dhiraj Relli, Mr. Ashish Rathi and Ms. Reynu Bhat. The Committee met twice during the year on 16 April, 2018 and 27 September, 2018.

General Body Meetings

(During previous three financial years)

Meeting	Date and Time	Venue	No. of Special Resolutions passed
18th AGM	22 June, 2018 at 12 Noon	HDFC Bank House, 5th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	None
17th AGM	21 June, 2017 at 11.30 AM	HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	None
EGM	13 February, 2017 at 10.30 AM	HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	2 (two)
16th AGM	8 June, 2016 at 11.30 AM	HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	None

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors hereby state that:

1. In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies, applied them consistently, made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March, 2019 and of the profit of the Company for the year ended on that date;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on a going concern basis;
5. We have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
6. We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

INTERNAL FINANCIAL CONTROLS

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

DECLARATION BY INDEPENDENT DIRECTOR

Dr. (Mrs.) Amla Samanta has given a declaration stating that she meets the criteria of independence as

provided under sub-section (6) of Section 149 of the Companies Act, 2013. The Board has taken the same on record.

NOMINATION & REMUNERATION POLICY

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

- Academic qualifications, previous experience, track record;
- Integrity of the candidate;
- External competitiveness;
- Size and complexity of the job.

The Company has also adopted the Directors' Performance Evaluation Policy including the criteria for performance evaluation. Pursuant thereto, the performance evaluation of Independent Directors is done by the entire Board, excluding the director being evaluated. The Independent Directors at a separate meeting held on 27 December, 2018 have also reviewed and evaluated the performance of the Non-Independent Directors and the entire Board.

AUDIT QUALIFICATIONS

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

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

During the year under review, the Company has not given any loans, guarantees pursuant to Section 186 of the Companies Act, 2013 other than Margin Funding to its own customers for capital market purchases in the ordinary course of business.(Refer Note No.7 of the financial statements). The particulars of investments made by the Company under Section 186 of the Companies Act, 2013 at the close of the financial year are reflected in Note No. 8 of the Financial Statements.

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

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

RISK MANAGEMENT POLICY

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

DIVIDEND

During the financial year under review, the Board of Directors have declared an Interim dividend of Rs.55/- per equity share (i.e. @ 550%) for the year ended 31 March 2019. This dividend has been paid to the shareholders and the necessary dividend distribution tax has been deposited by the Company.

Your directors recommend payment of final dividend of Rs.55/- per equity share (i.e. @550%) for the year ended 31 March 2019. The total dividend for the year is Rs.110/- per equity share (i.e @ 1100%) which is the same as the total dividend declared for the previous year.

AWARDS AND RECOGNITION

During the year under review, the following awards and accolades were conferred on the Company:

- i) India's Most Attractive Brand 2018 in retail broking category, awarded by Trust Research Advisory (TRA)
- ii) India's most ethical Company in Financial Services 2018, awarded by World CSR Congress
- iii) Winner of Economic Times BFSI Innovation Tribe Awards 2018 for Conversational Investing

- iv) Silver Award Winner - Retail Broker of the year, Outlook Money Awards 2018
- v) Winner of Digital Excellence in Insurance/ Financial services - Digital Industry Awards 2018.

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

- A. Since the Company does not carry out any manufacturing activities, particulars to be disclosed with respect to conservation of energy and technology absorption under Section 134(q) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 are not applicable.
- B. Details of earnings and expenses in foreign currency are reflected in Note no. 37 of the financial statements.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Ashish Rathi and Mr. Bharat Shah retire by rotation at the ensuing Annual General meeting and are eligible for re-appointment.

Dr. (Mrs.) Amla Samanta was appointed as an Independent Director for a period of 5 (five) years up to 8 July, 2019. The Board has on the recommendations of the Nomination and Remuneration Committee, re-appointed Dr. Samanta for a second term of 5 (five) consecutive years with effect from 9 July, 2019 to 8 July, 2024 subject to the approval of the members at the ensuing Annual General Meeting.

The following are the changes in the Directors and Key Managerial Personnel of the Company during the year under review as updated up to the date of this report

- 1) Mr. S.S.Thakur, an Independent Director has submitted his resignation at the meeting held on 16 April, 2019.

- 2) Mr. Bhavesh Zaveri was appointed as an Additional Director by the Board on receipt of necessary approvals pursuant to SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 to hold office up to the conclusion of the ensuing Annual General Meeting. Mr. Bhavesh Zaveri has tendered his resignation as a Director at the meeting held on 16 April, 2019.

The necessary applications are being made pursuant to the SEBI (Stock brokers and sub brokers) Regulations, 1992 in respect of the above resignations.

Your Directors wish to place on record their sincere appreciation of the services rendered by Mr.S.S.Thakur and Mr. Bhavesh Zaveri during their tenure as Directors of the Company.

EMPLOYEE STOCK OPTIONS

The Company has not granted any stock options to its employees during the year. Some of the stock options granted during the year 2016-17 were vested during the year and the relevant details on the subject have been disclosed in the notes forming part of the financial statements in Note No.43

PUBLIC DEPOSIT

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

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

The information required to be given under the provisions of Section 197(12) of the Companies Act, 2013 read with the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, is given in Annexure III enclosed.

AUDITORS

M/s B S R & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022) were appointed as Statutory Auditors for a period of

5 (five) consecutive years up to the conclusion of the 23rd Annual General Meeting by the members at the Annual General Meeting held on 22 June, 2018 on a remuneration as may be fixed by the Board of Directors. The provisions relating to ratification of the appointment of the Auditors at every Annual General Meeting during their tenure of appointment have been omitted by the Companies (Audit and Auditors) Second Amendment Rules, 2018 with effect from 7 May, 2018 and accordingly the appointment is not being considered for ratification by the members at the ensuing Annual General Meeting.

SECRETARIAL AUDIT

In terms of Section 204 of the Companies Act, 2013 and Rules made thereunder, M/s BNP & Associates, Practicing Company Secretaries have been appointed Secretarial Auditors of the Company for the financial year 2018-19. The report of the Secretarial Auditors is enclosed in Form MR-3 to this Report - Annexure IV

ACKNOWLEDGEMENT AND APPRECIATION

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

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

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

On behalf of the Board of Directors

**Place: Mumbai.
Date: 16 April, 2019**

**Bharat Shah
Chairman**

Annexure I

FORM NO. AOC-2

[Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis : Nil**

2. **Details of material contracts or arrangements or transactions at arm's length basis**

(a)	Name(s) of the related party and nature of relationship	1. HDFC Bank Limited (Holding Company) 2. HDB Financial Services Limited. (Enterprise under common control of the Holding Company)
(b)	Nature of contracts/arrangements/transactions	Banking and other normal business transactions (Mentioned in the notes forming part of the financial statements at Note no.42).
(c)	Duration of the contracts/arrangements/transactions	Usually annual, however, depends on the nature of transaction
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Maintained at arm's length similar to third party contracts. Value of such transactions during the financial year is mentioned in the notes forming part of the financial statements at Note no.42.
(e)	Justification for entering into such contracts or arrangements or transactions	Competitive Pricing and Value of services rendered.
(f)	Date(s) of approval by the Board, if any	N.A.
(g)	Amount paid as advances, if any	N.A.

On behalf of the Board of Directors

Place: Mumbai.
Date: 16 April, 2019

Bharat Shah
Chairman

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

1. Brief Outline of the CSR Policy

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

2. The Composition of the CSR Committee

The CSR Committee consists of 5 (five) directors out of which 2(two) directors are Independent Directors.

The members of the CSR Committee are as follows:

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

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

Rs. 351.83 crore

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

Rs. 7.04 crore

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

- (a) Total amount spent for the financial year 2018-19 - **Rs. 7.09 crore**

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

1. During the year, the Company spent a total amount of Rs.7.09 crore across various CSR Projects identified by the Company through implementing agencies and directly

- (b) Amount unspent, if any: **Nil**

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR Project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) projects or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent : Direct or through *implementing agency
1.	Sanitation and Smart Classrooms for schools.	Promotion of Education & Sanitation	Maharashtra	2,63,62,500	2,63,62,500	2,63,62,500	Implementing Agency
2.	Renovation / Setting up of Sadans and educational sponsorship for women and orphans.	Promotion of Education	Maharashtra	1,09,81,938	1,09,81,938	1,09,81,938	Implementing Agency

3.	Providing scholarships to underprivileged rural children	Promotion of Education	Tamilnadu	1,09,50,000	1,09,50,000	1,09,50,000	Implementing Agency
4.	Supporting India's best athletes in their training and preparation for the Olympic Games	Promotion of Olympic Sports	Pan India	75,00,000	75,00,000	75,00,000	Implementing Agency
5.	Providing financial support, medicines and check up for patients undergoing medical treatment	Preventive & curative healthcare	Maharashtra	70,00,000	70,00,000	70,00,000	Implementing Agency
6.	Purchase of vehicles to transport meals	Eradicating Hunger	Gujarat	37,06,800	37,06,800	37,06,800	Implementing Agency
7.	Providing round the clock pre-hospital emergency transportation (Ambulance) care service in border areas	Preventive & curative healthcare	Jammu & Kashmir	31,64,762	31,64,762	31,64,762	Implementing Agency
8.	Dividend from HDFC Charity for Cancer Cure-Arbitrage Fund	Healthcare	Maharashtra	5,62,000	5,62,000	5,62,000	Direct
9.	CSR Administration Cost			7,00,000	7,00,000	7,00,000	

*Details of the implementing agencies are listed below:

Yuva Unstoppable, Isha Education, India Sponsorship Committee, Nana Palkar Smruti Samiti, The Akshaya Patra Foundation, Foundation for Promotion of Sports and Games and Borderless Worldwide Foundation

6. Reason for not spending the amount

None as the Company has committed and disbursed the entire stipulated amount of 2% of the average net profit as a part of its CSR implementing programme in the FY 2018-19 and FY 2017-18

7. Responsibility statement by the CSR Committee

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

On behalf of the Board of Directors

Dhiraj Relli
Managing Director

Bharat Shah
Chairman

Place: Mumbai

Date: 16 April, 2019

Annexure III

Information pursuant to Section 197(12) of the Companies Act, 2013.

Particulars of Top 10 employees in terms of remuneration drawn (Employed throughout the year)

Name and Qualification	Age in yrs.	Designation/ Nature of Duties	Date of commencement of employment	Remuneration (Rs.)	Experience (No. of years)	Last Employment
1) Mr.Dhiraj Relli \$ B.Com (Hon.), ACA, Advanced Mgmt.Prog. (IIM Bengaluru)	49	Managing Director	1 May 2015	2,16,24,452	24	HDFC Bank Ltd.
2) Mr.Siddharth Shah B.Com	59	Head -Branch Dealing	1 June 2010	1,58,28,440	38	HDFC Bank Ltd
3) Mr. C.V. Ganesh B.Com, CA, CWA	47	Chief Operating Officer	2 May 2008	1,29,47,695	25	Citi Technology Services Ltd.
4) Mr. Deepak Jasani B.Com, LL.B, FCA, CFA	55	Head-Retail Research	7 April 2004	1,07,12,926	24	Kaji & Maulik Services Ltd.
5) Mr.Vinod Sharma B.Com, MBA	57	Head-Private Client Group	30 October 2009	99,97,319	34	Anagram Securities Limited
6) Mr.Dipen Sheth B Tech (IIT), PGDBM (IIM)	52	Head-Institutional Research	12 April 2012	85,62,764	27	Edelweiss Securities
7) Mr. Ashish Rathi B.Com, ACA	39	Head-Risk & Compliance	1 September 2003	82,93,195	17	Rafaga Info Knowledge
8) Ms.Reynu B Bhat B.Sc.	55	Head-Human Resources	15 January 2004	80,17,435	24	Microwave Communication Limited
9) Mr.S.Sambath Kumar B.Com	43	Head of Equity, Third Party Product and NPS	12 January 2015	73,74,292	20	Reliance Capital
10)Mr.Uday Singh B.Com, MBA	45	Head – Special Desk, Call centre operations	21 December 2005	72,87,813	23	ICICI Prudential Life Insurance Company Ltd.

\$ On deputation

Notes:

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

On behalf of the Board of Directors

**Place: Mumbai.
Date: 16 April, 2019**

**Bharat Shah
Chairman**

Form No. MR-3
SECRETARIAL AUDIT REPORT
For the financial year ended March 31, 2019

[Pursuant to provision of section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members

HDFC Securities Limited

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

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HDFC Securities Limited having CIN U67120MH2000PLC152193 (hereinafter called ‘the Company’) for the audit period covering the financial year ended on March 31, 2019 (‘the audit period’). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

- i. The Companies Act, 2013 (‘the Act’) and the Rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 (SCRA) and the Rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’):
 - a. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - b. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993; regarding the Companies Act and dealing with client.
 - c. The Securities and Exchange Board of India (Stock Brokers and Sub- Brokers) Regulations, 1992 except guidelines, circulars, master circulars and directions issued by the Securities and Exchange Board of India and the Stock Exchanges and applicable to the Company as a stock broker relating to its day to-day operations in the ordinary course of business.
 - d. The Securities and Exchange Board of India (Research Analysts) Regulations, 2014

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

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

During the audit period under review, provisions of the following regulations were not applicable to the Company:

- (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (ii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (iii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (iv) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (v) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (vi) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (vii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and
- (viii) The Securities and Exchange Board of India (Portfolio Managers) Regulation, 1993; and
- (ix) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

We further report that -

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. It was noticed that Mr. S S Thakur, Director of the Company was disqualified under section 164(2) of the Companies Act, 2013 as per the data available on the website of the Ministry of Corporate Affairs. Mr. S S Thakur and Mr. Bhavesh Zaveri have submitted their resignation to the Board of Directors on April 16, 2019.

Adequate notice is given to all Directors to schedule the Board Meetings in compliance with the provisions of Section 173(3) of the Companies Act, 2013, agenda and detailed notes on agenda were sent at least seven days in advance, and where the same were given at shorter notice than seven days, prior consent thereof were obtained, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at Board and / or Committee meetings were generally carried through on the basis of majority of the Directors/ members present. There were no dissenting views by any member of the Board of Directors during the audit period.

We further report that -

There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that -

During the audit period, following specific event was held:

- Allotment of 61,150 equity shares of the company to its 89 employees at a price of Rs.1136/- per share under The Employees Stock Option Scheme- II (ESOS-II) of the company, aggregating to a total amount of Rs, 6,94,66,400 (excluding taxes).

For BNP & Associates
Company Secretaries

Avinash Bagul
Partner

Place: Mumbai
Date: 16 April 2019

FCS: 5578 CP No: 19862

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report

Annexure A

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

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

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

For BNP & Associates
Company Secretaries

**Place: Mumbai
Date: 16 April 2019**

Avinash Bagul
Partner
FCS: 5578 CP No: 19862

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HDFC SECURITIES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HDFC Securities Limited (the "Company"), which comprise the balance sheet as at 31 March 2019, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flow dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under section 133 of the Act.

- e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act. However, based on the information available on the Ministry of Corporate Affairs website, we understand that one of the director, Mr. Shobhasingh Rajaramsingh Thakur has attracted disqualification under section 164(2) as on 31 March 2019. The Company has represented that the Mr. Shobhasingh Rajaramsingh Thakur is in disagreement with the disqualification and has tendered his resignation as a director of the Company on 16 April 2019.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure B”.
- g) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its financial statements - refer Note 36 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. there are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company; and
3. In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
Firm’s Registration No: 101248 W/W-100022

Place : Mumbai
Date : 16 April 2019

Akeel Master
Partner
Membership No: 046768

Annexure A to the Independent Auditor’s Report of even date on financial statements of HDFC Securities Limited

- (i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. Fixed assets were physically verified by management in accordance with a regular programme of verification which, in our opinion, is reasonable. According to information and explanation given to us, no material discrepancies were noticed on such verification.
- c. According to the information and explanation given to us and examination of the relevant records and registered title deed provided to us, we report that, title deed comprising of the immovable properties being office premises is held in the name of the Company as at balance sheet date.
- (ii) The Company does not have any inventory, and thus, paragraph 3(ii) of the Order is not applicable.
- (iii) In our opinion and according to the information and explanation given to us, the Company has not granted any loans, secured or unsecured, to Companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly paragraph 3(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanation given to us, the Company has not given any loans to directors and other parties covered under section 185 of the Act, and has complied with the provisions of sections 186 of the Act in respect of its investments.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed thereunder apply. Accordingly, paragraph 3(v) of the Order is not applicable.
- (vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the activities conducted/ services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable.
- (vii) a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees’ state insurance, income-tax, service tax, goods and service tax, cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales-tax, duty of customs, duty of excise and value added tax for the year ended 31 March 2019.

According to the information and explanations given to us, no undisputed statutory dues payable in respect of provident fund, employees’ state insurance, income-tax, service tax, cess and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.

- b. According to the information and explanations given to us, dues of income tax and service tax which have not been deposited with the appropriate authorities on account of any dispute are as stated below:

Name of Statute	Nature of Dues	Amount (Rs. In lacs)	Relevant period	Forum
Income Tax Act, 1961	Income Tax	86	Assessment Year 2011-12	Bombay High Court
Income Tax Act, 1961	Income Tax	65	Assessment Year 2014-15	Commissioner of Income Tax (Appeal)
Income Tax Act, 1961	Income Tax	432	Assessment Year 2017-18	Commissioner of Income Tax (Appeal)
Finance Act, 1994	Service Tax	4	Financial Years 2004-05 and 2005-06	Commissioner of Central Excise (Appeal)
Finance Act, 1994	Service Tax	636	Financial Years 2012-13 and 2016-17	Custom, Excise and Service Tax Appellate Tribunal
Jammu and Kashmir Stamp Act, 1977	Stamp Duty	58	Financial Years 2011-12 and 2016-17	Jammu and Kashmir High Court

- (viii) In our opinion and according to the information and explanations given to us, the Company did not have any loans or borrowing from financial institution, banks or government or dues to debenture holders during the year.
- (ix) The Company has not raised money by way of initial public offer or further public offer (including debt instruments) or term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanations and information given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by management.
- (xi) In our opinion and according to the information and explanation given to us, the Company has paid/ provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.
- (xii) The Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and section 188 of the Act where applicable and the details have been disclosed in the financial statements as required by applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248 W/W-100022

Place : Mumbai
Date : 16 April 2019

Akeel Master
Partner
Membership No: 046768

Annexure - B to the Independent Auditor's Report of even date on the financial statements of HDFC Securities Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

We have audited the internal financial controls over financial reporting of HDFC Securities Limited (the "Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by the ICAI and prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of internal financial controls over financial reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls over financial reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248 W/W-100022

Place : Mumbai
Date : 16 April 2019

Akeel Master
Partner
Membership No: 046768

Balance Sheet as at 31 March 2019

(Rs. in lacs)

Particulars	Note	As at		
		31 March 2019	31 March 2018	1 April 2017
ASSETS				
Financial Assets				
Cash and cash equivalents	4	19,538	26,506	18,987
Bank Balance other than (4) above	5	38,994	9,136	43,658
Receivables				
Trade Receivables	6	65,911	41,951	35,336
Loans	7	22,632	-	-
Investments	8	42,067	79,222	34,555
Other Financial Assets	9	4,506	2,620	1,765
		193,648	159,435	134,301
Non-Financial Assets				
Current tax assets (Net)		1,412	801	614
Investment Property	10	1,480	1,507	1,536
Property, Plant and Equipment	11	3,814	3,882	3,380
Capital work-in-progress	11	319	533	273
Intangible assets under development	11	753	394	324
Other Intangible assets	11	1,392	1,247	784
Other non-financial assets	12	903	539	407
		10,073	8,903	7,318
TOTAL ASSETS		203,721	168,338	141,619
LIABILITIES AND EQUITY				
LIABILITIES				
Financial Liabilities				
Payables	13			
Trade Payables				
- total outstanding dues of micro enterprises and small enterprises		4	3	2
- total outstanding dues of creditors other than micro enterprises and small enterprises		74,363	51,645	45,146
Other financial liabilities	14	65	76	86
		74,432	51,724	45,234
Non-Financial Liabilities				
Current tax liabilities		354	243	244
Provisions	15	6,533	7,975	6,703
Deferred tax liabilities (Net)	34	932	1,162	1,209
Other non-financial liabilities	16	2,094	3,549	4,821
		9,913	12,929	12,977
Equity				
Equity Share capital	17	1,561	1,555	1,548
Other Equity	18	117,815	102,130	81,860
		119,376	103,685	83,408
TOTAL LIABILITIES AND EQUITY		203,721	168,338	141,619

The accompanying notes form an integral part of this financial statements (1 to 49)

As per our report of even date.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AKEEL MASTER

Partner

Membership No. 046768

Place : Mumbai

Date : 16th April, 2019

For and on behalf of the Board of Directors of

HDFC Securities Limited

CIN Number: U67120MH2000PLC152193

DHIRAJ RELLI

Managing Director

DIN: 07151265

C. V. GANESH

Chief Financial Officer

BHARAT SHAH

Chairman

DIN: 00136969

N.E. VENKITAKRISHNAN

Company Secretary

ASHISH RATHI

Whole Time Director

DIN: 07731968

Statement of Profit and Loss for the year ended 31 March 2019
(Rs. in lacs)

Particulars	Note	Year ended	
		31 March 2019	31 March 2018
Revenue from operations			
Brokerage and Fee Income	19	65,216	70,841
Interest Income	20	6,980	5,408
Sale of Services	21	774	727
Net gain on fair value changes	22	4,972	2,768
Rental Income	23	179	181
Dividend Income	24	74	72
Total Revenue from operations		78,195	79,997
Other Income	25	10	10
Total Income		78,205	80,007
Expenses			
Finance Costs	26	11	7
Net loss on fair value changes	27	1,139	-
Impairment on financial instruments	28	4	62
Employee Benefits Expenses	29	15,293	15,329
Depreciation, amortization and impairment	10,11	1,864	1,513
Other expenses	30	10,371	10,634
Total Expenses		28,682	27,545
Profit before tax		49,523	52,462
Tax expense	34		
Current Tax		16,809	18,086
Deferred Tax		(268)	(97)
Total tax expense		16,541	17,989
Profit for the year		32,982	34,473
Other comprehensive income :			
<u>Items that will not be reclassified to profit or loss:</u>			
Re-measurement gains on defined benefit plans		114	143
Income tax effect		(39)	(49)
Other comprehensive income for the year, net of tax		75	94
Total comprehensive income for the period, net of tax		33,057	34,567
Earnings per equity share - [Nominal value of the shares Rs 10]			
Basic (Annualised)		212.00	222.59
Diluted (Annualised)		210.64	220.37

The accompanying notes form an integral part of this financial statements (1 to 49)

As per our report of even date
For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AKEEL MASTER
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Whole Time Director
DIN: 07731968

Statement of Changes in Equity for the year ended 31 March 2019

Equity Share Capital

Equity shares of INR 10 each issued, subscribed and fully paid (Rs. in lacs)

Particulars	Number of shares	Amount
Balance as at 1 April 2017	15,483,125	1,548
Changes in equity share capital during FY 2017-18	69,550	7
Balance as at 31 March 2018	15,552,675	1,555
Changes in equity share capital during FY 2018-19	61,150	6
Balance as at 31 March 2019	15,613,825	1,561

Other Equity

(Rs. in lacs)

Particulars	Reserves and Surplus					Other Comprehensive Income	Total
	Share based payment reserve	Securities premium	General reserve	Capital Contribution from parent	Retained Earnings		
Balance as at 1 April 2017	74	3,319	2,500	-	75,967	-	81,860
Premium on issue of share capital	-	784	-	-	-	-	784
Profit For the year	-	-	-	-	34,472	-	34,472
Dividends (including dividend tax)	-	-	-	-	(15,894)	-	(15,894)
Transfer to Securities Premium from share based payment reserve	(232)	232	-	-	-	-	-
Share based payment cost	529	-	-	286	-	-	815
Other Comprehensive Income	-	-	-	-	-	94	94
Balance as at 31 March 2018	371	4,335	2,500	286	94,545	94	102,130
Premium on issue of share capital	-	688	-	-	-	-	688
Profit For the year	-	-	-	-	32,982	-	32,982
Dividends (including dividend tax)	-	-	-	-	(18,790)	-	(18,790)
Transfer to Securities Premium from share based payment reserve	(224)	224	-	-	-	-	-
Share based payment cost	254	-	-	475	-	-	729
Other Comprehensive Income	-	-	-	-	-	75	75
Balance as at 31 March 2019	400	5,248	2,500	760	108,738	169	117,815

Refer Note # 18 for description of the purpose of each reserve within equity (as per schedule III)

As per our report of even date.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AKEEL MASTER

Partner

Membership No. 046768

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Company Secretary

ASHISH RATHI

Whole Time Director

DIN: 07731968

Place : Mumbai

Date : 16th April, 2019

Cash Flow Statement for the year ended 31 March 2019
(Rs. in lacs)

Particulars	Year ended	
	31 March 2019	31 March 2018
<u>Cash Flow from operating activities</u>		
Profit before tax	49,523	52,462
<u>Adjustments</u>		
Depreciation & Amortization	1,864	1,513
Employee stock option compensation cost	729	815
Impairment loss on financial assets	4	62
Loss on sale / w/off of Property, Plant & Equipment	(5)	72
Change in Fair value of investments	1,139	(1,134)
Rental income from investment property	(179)	(181)
Gain on sale of investment	(4,972)	(1,634)
Finance Costs	11	7
Interest income	(8)	(8)
Dividend Income	(74)	(72)
	48,032	51,902
Working capital adjustments:		
Decrease/ (Increase) in Bank Balance	(29,858)	34,522
Decrease / (Increase) in trade receivables	(23,965)	(6,677)
Decrease / (Increase) in loans	(22,632)	-
Decrease / (Increase) in Other financial assets	(1,886)	(855)
Decrease / (Increase) in Other non-financial assets	(364)	(132)
Increase / (Decrease) in trade and other payables	22,720	6,499
Increase / (Decrease) in other financial liabilities	(11)	(10)
Increase / (Decrease) in Provisions	(1,327)	1,415
Increase t/ (Decrease) in Other non-financial liabilities	(1,455)	(1,272)
	(10,747)	85,392
Income tax paid	(17,309)	(18,274)
Net Cash Flow from operating activities	(A) (28,056)	67,118
Investing activities		
Purchase of property, plant and equipment	(2,054)	(2,851)
Rental income received	179	181
Purchase of investments	(23,072)	(51,015)
Proceeds from sale of current investments	64,060	9,116
Dividend received	74	72
Interest received	8	8
Net cash flows from investing activities	(B) 39,195	(44,489)

Cash Flow Statement for the year ended 31 March 2019

(Rs. in lacs)

	Year ended	
	31 March 2019	31 March 2018
Financing activities:		
Proceeds from Issuance of equity share capital	694	791
Finance Costs	(11)	(7)
Dividend paid, including dividend tax	(18,790)	(15,894)
Net cash (used in) financing activities	(18,107)	(15,110)
Net increase in cash and cash equivalents (A+B+C)	(6,968)	7,519
Cash and Cash equivalents at the beginning of the year	26,506	18,987
Cash and Cash equivalents at the end of the year	19,538	26,506
Components of cash and cash equivalents		
Balances with Banks - In current accounts	19,538	26,506
Cash and Cash equivalents at the end of the year	19,538	26,506

As per our report of even date.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AKEEL MASTER

Partner

Membership No. 046768

Place : Mumbai

Date : 16th April, 2019

For and on behalf of the Board of Directors of

HDFC Securities Limited

CIN Number: U67120MH2000PLC152193

DHIRAJ RELLI

Managing Director

DIN: 07151265

BHARAT SHAH

Chairman

DIN: 00136969

C. V. GANESH

Chief Financial Officer

N.E. VENKITAKRISHNAN

Company Secretary

ASHISH RATHI

Whole Time Director

DIN: 07731968

Notes forming part of the Financial Statements for the year ended 31 March 2019

1 Corporate Information

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

2 Basis of preparation

2.1. Statement of compliance

The financial statement for the year ended 31 March 2019 has been prepared in accordance with Indian Accounting Standard (‘Ind AS’). The Company is covered under the definition of NBFC and the Ind AS is applicable under Phase I as defined in notification dated 30th March 2016 issued by Ministry of Corporate Affairs (MCA), since the net worth of the Company exceeds the threshold of Rs 500 crore as on 31 March 2018. Accordingly the Company is required to prepare the financial statement on the basis of Ind AS from the financial year beginning on 1 April 2018 with comparatives for the year ended 31 March 2018 with opening balances as on 1 April 2017. This financial statements for the year ended 31 March 2019 are companies first Ind AS financial statements.

The financial statement upto and for the year ended 31 March 2018, were prepared in accordance with the accounting principle generally accepted in India, including the Accounting Standards specified under section 133 of the Companies Act, 2013 (the ‘Act’), read with Rule 7 of the Companies (Accounting Standard) Rule 2014 (‘Previous GAAP’ or ‘Indian GAAP’).

As these are Companies first financials statements prepared in accordance with Indian Accounting Standards, Ind AS 101 First Time Adoption of Indian Accounting Standards has been applied. Refer Note 31 “First-time adoption of Ind AS” for details of first time adoption.

Details of Companies Accounting Policies are included in Note 3”

2.2. Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is also the Company’s functional currency. All amounts have been rounded-off to the nearest lacs, unless otherwise indicated.

2.3. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities	Fair value (refer accounting policies regarding financial instruments)
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations
Share Based payments	Fair value (refer accounting policies regarding financial instruments)

2.4. Use of estimates & Judgements

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Estimates and underlying assumptions are reviewed ongoing basis. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

I. Determination of the estimated useful lives of tangible assets

Useful lives of property, plant and equipment are taken as prescribed in Schedule II of the Act. In cases, where the useful lives are different from that prescribed in Schedule II and in case of intangible assets, they are estimated by management based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of

Notes forming part of the Financial Statements for the year ended 31 March 2019

replacement, anticipated technological changes, manufacturers' warranties and maintenance support.

II. Recognition and measurement of defined benefit obligations

The obligation arising from defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation, actuarial rates and life expectancy. The discount rate is determined by reference to market yields at the end of the reporting period on government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations. Due to complexities involved in the valuation and its long term nature, defined benefit obligation is sensitive to changes in these assumptions. Further details are disclosed in note 38.

III. Recognition of deferred tax assets / liabilities

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences could be utilized. Further details are disclosed in note 34.

IV. Recognition and measurement of provision and contingencies

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the reporting date. The actual outflow of resources at a future date may therefore, vary from the amount included in other provisions."

V. Fair valuation of employee share options

The fair valuation of the employee share options is based on the Black-Scholes model used for valuation of options. Key assumptions made with respect to expected volatility includes share price, expected dividends and discount rate, under this option pricing model. Further details are discussed in note 43."

VI. Determining whether an arrangement contains a lease

In determining whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease date if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

VII. Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2.5. Measurement of fair values

The Company's accounting policies and disclosures require the measurement of fair values for, both financial and non-financial assets and liabilities.

When measuring the fair value of a financial asset or a financial liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes forming part of the Financial Statements for the year ended 31 March 2019

3 Significant accounting policies

3.1. Revenue from Contracts with Customers

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115, Revenue from contracts with customers, outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation.

Income from services rendered as a broker is recognised upon rendering of the services on a trade date basis, in accordance with the terms of contract. Fees for subscription based services are received periodically but are recognised as earned on a pro-rata basis over the term of the contract. Commissions from distribution of financial products are recognised upon allotment of the securities to the applicant or as the case may be, on issue of the insurance policy to the applicant after deducting claw back provision as per the agreed terms. Commissions and fees recognised

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

3.2 Other Income

Interest is earned on delayed payments from customers and amounts funded to them as well as term deposits with banks. Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable. Dividend income is recognised when the right to receive the dividend is established.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

3.3 Property, plant and equipment

i. Recognition and measurement

Property, plant and equipment are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price and expenses directly attributable to bringing the asset to its working condition for the intended use.

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

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

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

Notes forming part of the Financial Statements for the year ended 31 March 2019

ii. Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment (see Note 11).

iii. Subsequent expenditure

Subsequent expenditure related to an item of Property, plant and equipment are added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

iv. Depreciation

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

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

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

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

Asset	Estimated useful life
Vehicle	4 years
Network & Servers	4 years

All Property, plant and equipment costing less than Rs. 5,000 individually are fully depreciated in the year of purchase. Useful lives are reviewed

at each financial year end and adjusted if required.

v. Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at its carrying amount on the date of reclassification.

3.4. Intangible assets

I. Recognition and measurement

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Cost of an intangible asset includes purchase price, non-refundable taxes and duties and any other directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

II. Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets (see Note 11).

III. Subsequent expenditure

Subsequent expenditure on an intangible asset is charged to the Statement of Profit and Loss as an expense unless it is probable that such expenditure will enable the intangible asset increase the future benefits from the existing asset beyond its previously assessed standard of performance and such expenditure can be measured and attributed to the intangible asset reliably, in which case, such expenditure is capitalised.

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

IV. Amortisation

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at each reporting date. If the expected useful life of the asset is significantly different from previous estimates,

Notes forming part of the Financial Statements for the year ended 31 March 2019

the amortisation period is changed accordingly.

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

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

Asset	Estimated useful life
Computer software	5 years
Licenses Electronic trading platform (Website)	5 years
Bombay Stock Exchange Membership Card	10 years

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

3.5. Investment property

Property given on lease to earn rental income, is classified as “Investment Property” as per requirement of Ind AS 40 “Investment Property”. Upon initial recognition, an investment property is measured at cost. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

On transition to Ind AS, the Company has elected to continue with the carrying value of its investment property recognised as at 1 April 2017, measured as per the previous GAAP and use that carrying value as the deemed cost of such investment property.

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

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

Asset	Estimated useful life
Investment Property	60 years

Any gain or loss on disposal of an investment property is recognised in the statement profit and loss.

The fair values of investment property is disclosed in the notes.

3.6. Impairment of non-financial assets

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

After impairment (if any), depreciation/ amortisation is provided on the revised carrying amount of the assets over its remaining life.

3.7. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments also include derivative contracts such as foreign currency forward contracts.

Financial instruments also covers contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

I. Recognition and initial measurement

Trade receivables, Loans and deposits are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Notes forming part of the Financial Statements for the year ended 31 March 2019

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issued.

II. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at :

- Amortised cost;
- Fair value through profit and loss ('FVTPL');
- Fair value through other comprehensive income ('FVOCI')

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets. The Company classifies its financial assets in the following measurement categories:

Financial assets measured at amortized cost

A financial asset that meets the following two conditions is measured at amortized cost (net of any written down for impairment) unless the asset is designated at FVTPL under the fair value option.

Business model test: The objective of the Company's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at Fair Value

A financial asset which is not classified at amortized cost is subsequently measured at fair valued. Where assets are measured at fair value, gains and losses are either recognized entirely in the statement of profit and loss (i.e. fair value through profit or loss), or recognized in Other Comprehensive Income (i.e. fair value through other comprehensive income).

The assets classified in the aforementioned categories are subsequently measured as follows:

- a) **Financial assets at Fair Value Through Profit or Loss (FVTPL):** These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of profit and loss. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL.
- b) **Financial assets at Fair Value Through Other Comprehensive Income (FVOCI):** These assets are subsequently measured at fair value. Interest income under the effective interest method, dividends (unless the dividend clearly represents a recovery of part of the cost of the investment), foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial Liabilities

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

III. Derecognition

Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows

Notes forming part of the Financial Statements for the year ended 31 March 2019

in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

IV. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

V. Impairment

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost; and
- financial assets measured at FVOCI- debt investments.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit- impaired. A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company considers that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

3.8. Employee benefits

i) Short term employee benefits

Short term employee benefits include salaries and short term cash bonus. A liability is

recognised for the amount expected to be paid under short-term cash bonus or target based incentives if the Company has a present legal or constrictive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Statement of Profit and Loss at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

ii) Defined-contribution plans

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

iii) Defined benefit plans

The defined benefit plan is a post-employee benefit plan other than a defined contribution plan. Expenses for defined-benefit plan in the nature of gratuity and leave encashment are calculated annually by an independent actuary using Projected Unit Credit Method (PUCM). These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds. The fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceeds the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI.

Notes forming part of the Financial Statements for the year ended 31 March 2019

iv) Other employee benefits

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

v) Share-based payment transactions

- a. The cost of equity-settled instrument is determined by the fair value at the date when the grant is made using an appropriate valuation model.
- b. That cost is recognized, together with a corresponding increase in share-based payment reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.
- c. When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through the statement of profit and loss.
- d. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.
- e. Grants provided by parent company to the employees at deputation to the company are also accounted for inline

with accounting treatment described above. The corresponding impact of the expense recorded on account of such grants are recorded as capital contribution from parent.

3.9. Current and deferred tax

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

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

Deferred tax is recognised for all the temporary differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised and carried forward only to the extent it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

3.10. Provisions and contingent liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the

Notes forming part of the Financial Statements for the year ended 31 March 2019

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

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

3.11. Cash and Bank Balance

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

3.12. Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognised based on contractual terms.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the statement of profit

or loss, unless the increase is in line with expected general inflation, in which case lease income is recognised based on contractual terms.

3.13. Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Foreign currency transactions are recorded on initial recognition in the functional currency, using the exchange rate at the date of the transaction. At each balance sheet date, foreign currency monetary items are reported using the closing exchange rate.

Exchange differences that arise on settlement of monetary items or on reporting at each closing date of the Company's monetary items at the closing rate are recognized as income and expenses in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transactions.

Non-monetary items that are measured at fair value in a foreign currency shall be translated into functional currency using the exchange rates at the date when the fair value was determined. Exchange differences are recognised in the statement of profit and loss.

3.14. Earning per Share

The basic earnings per share ('EPS') is computed by dividing the net profit / (loss) after tax for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, net profit/(loss) after tax for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

3.15. Segment Reporting

The Company's business is to provide broking services, to its clients, in the capital markets in India. All other activities of the Company are ancillary to the main business. As such, there are no reportable segments that need to be reported separately as defined in Ind AS 108, Operating Segments.

Notes forming part of the Financial Statements for the year ended 31 March 2019

Note 4: Cash and cash equivalents

(Rs. in lacs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
(i) Balances with Banks	19,538	26,506	18,987
Total	19,538	26,506	18,987

Note 5: Bank Balance other than (4) above

(Rs. in lacs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Earmarked accounts (unpaid dividend balance)*	-	-	16
Fixed Deposits with Banks #	38,994	9,136	43,642
Total	38,994	9,136	43,658

Note:

* Amount less than Rs 50000

Fixed Deposits pledged as margins

	38,994	3,903	25,318
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Note 6: Receivables

Trade Receivables

(Rs. in lacs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Receivables considered good - Secured	65,102	41,534	35,263
Receivables considered good - Unsecured	907	538	134
Less: Allowance for impairment loss	(97)	(121)	(61)
Total	65,911	41,951	35,336

Note: Dues from directors and other officers

	-	-	-
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Note 7: Loans

(Rs. in lacs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Amortised Cost			
Margin Trading Funding*	22,660	-	-
Less: Allowance for impairment loss	(28)	-	-
Total	22,632	-	-

* This represent the margin trading facility extended to broking customers which are fully secured against cash and / or collateral of approved securities

Notes forming part of the Financial Statements for the year ended 31 March 2019

Note 8: Investments

(Rs. in lacs)

Particulars	As at	As at	As at
	31 March 2019	31 March 2018	1 April 2017
	At Fair Value	At Fair Value	At Fair Value
	Through profit or loss	Through profit or loss	Through profit or loss
Mutual Funds			
Aditya Birla Sun Life Cash plus- Direct- Growth	-	3,507	-
BNP PARIBAS OVERNIGHT FUND DIRECT PLAN GROWTH OPTI	-	5,137	1,506
DSP BlackRock Ultra Short Term Fund Direct -Growth	-	2,147	2,006
DSP Black Rock Liquid Fund - Direct - Growth	-	2,568	-
DSP BlackRock Banking & PSU Debt-Direct-Growth	571	529	-
DSP BR Low Duration Fund - Direct (G)	2,321	-	-
HDFC Arbitrage Fund -Direct- Mnth Divd	-	346	326
HDFC Balanced Fund-Direct - Dividend	-	57	115
HDFC Banking And PSU Debt Fund - Direct - Growth	628	1,190	1,113
HDFC Cash Management Fund - Saving - Direct-Growth	-	11,472	6,012
HDFC Charity For Cancer Cure Direct - Arbitrage	100	100	100
HDFC Corporate Bond Fund - Direct -Growth	7,046	-	-
HDFC FMP 1106D MAY 2015(1) - SERIES 33-DIRECT GROW	-	629	587
HDFC FMP 1158 D Feb (1) Series 39 -Dir-Growth	1,089	1,013	-
HDFC Hybrid Equity Fund - Direct -Quarterly - Div	294	-	-
HDFC Liquid Fund Direct - Growth	6,311	3,031	5,506
HDFC Medium Term Opp. Fund-Direct Plan-Growth	-	6,531	3,131
ICICI Pru Balanced Fund-Direct-Monthly Div	-	58	-
ICICI Pru FMP Series 82-1223 Days Direct Cumulative	-	1,014	-
ICICI Pru Short Term Gilt Fund Direct Growth	-	1,036	-
ICICI Pru Ultra Short Term Fund - Direct Growth	-	645	546
ICICI PRUD. FMP SERIES 77-1130 DAYS PLAN D Growth	-	630	-
ICICI Pru Corporate Bond Fund - Direct - Growth	627	-	-
ICICI Pru Equity & Debt Fund - Direct Monthly Div	303	-	-
ICICI Pru FMP Series 82-1223 Days Direct Cumulative	1,093	-	-
ICICI Prud. Banking and PSU Fund-Direct Grow-F/N	301	924	865
ICICI PRUD FMP SERIES 77-1130 DAYS PLAN D Growth P	-	-	588
ICICI Prudential Liquid - Direct Plan - Growth	10,877	10,708	553

Notes forming part of the Financial Statements for the year ended 31 March 2019

Note 8: Investments (continued)

(Rs. in lacs)

Particulars

As at 31 March 2019
At Fair Value
Through profit or loss

As at 31 March 2018
At Fair Value
Through profit or loss

As at 1 April 2017
At Fair Value
Through profit or loss

Mutual Funds

ICICI Prudential Money Market -Direct- Growth	-	2,511	-
Kotak Banking and PSU Debt Fund	497	468	437
Kotak FMP Series 161- 370 Days Plan - Growth Opti	-	-	252
Reliance Arbitrage Advantage Fund -Direct- Mnt Div	-	300	281
Reliance Banking and PSU Debt Fund - Dir Gw F/N	784	3,215	3,017
Reliance Income Fund-Dir Growth Plan--Bonus Option	-	738	710
Reliance Liquid Fund Direct Growth Plan Growth Opt	-	1,782	1,668
Reliance Liquid Fund-Treasury Plan- Growth	-	-	2,124
Reliance Liquidity Fund - Growth	-	-	718
Reliance Liquidity Fund - Direct - Growth	-	5,510	-
Reliance Regular Saving - Balanced - Direct - Div	-	58	-
Reliance Equity Hybrid Fund - Direct -Monthly Div	303	-	-
Reliance Liquid Fund - Direct - Growth	3,740	-	-
Tata Balance Fund-Direct - Dividend	-	-	110
TATA Liquid Fund - Direct - Growth	1,501	4,072	-
Tata Short Term Fund - Direct - Growth	-	1,061	-
Tata Short Term Bond Fund - Direct - Growth	1,076	-	-
UTI Banking & PSU DEBT FUND- Direct Growth	617	586	549
UTI Fixed Term Income Fund Series XVII-X (367 Days)	-	-	1,009
UTI MONEY MARKET-Direct-Growth	-	5,072	-
UTI Liquid Cash Plan - Direct - Growth	1,502	-	-

Debt Securities

SBI Bonds	88	87	92
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Equity instruments

BSE Limited	397	492	635
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Total Gross (A)	42,067	79,222	34,555
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Investments in India	42,067	79,222	34,555
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Total (B)	42,067	79,222	34,555
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Less: Allowance for Impairment loss (C)	-	-	-
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Total Net (D) (A)-(C)	42,067	79,222	34,555
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Notes forming part of the Financial Statements for the year ended 31 March 2019

Note 9: Other Financial Assets

(Rs. in lacs)			
a) Advances and Deposits	As at	As at	As at
Particulars	31 March 2019	31 March 2018	1 April 2017
Security Deposits			
Unsecured, considered good	164	305	265
Unsecured, considered doubtful	15	15	13
Less: Impairment loss	(15)	(15)	(13)
Deposit with Stock Exchanges	1,249	1,223	211
Margin monies with clearing member	13	13	13
Other Advances	311	308	263
Sub total	1,737	1,849	752
<hr/>			
b) Income Receivables	As at	As at	As at
Particulars	31 March 2019	31 March 2018	1 April 2017
Interest accrued but not due	2,128	253	652
Unbilled Revenue	641	518	361
Sub total	2,769	771	1,013
Total	4,506	2,620	1,765

Note 10: Investment Property (Rs. in lacs)

Particulars	As at	As at	As at
	31 March 2019	31 March 2018	1 April 2017
Investment property	1,480	1,507	1,536
Total	1,480	1,507	1,536

Reconciliation of carrying amount (Rs. in lacs)

Particulars	Note	As at	As at
		31 March 2019	1 April 2018
Cost or Deemed Cost (gross carrying amount)		1,659	1,659
Accumulated depreciation opening		152	123
Depreciation for the year		27	29
Accumulated depreciation closing		179	152
Carrying amounts		1,480	1,507
Fair Value	1	3,246	3,246

Note 1:

The management has determined the fair value of the investment property based on the available circle rate. It has not been determined by an independent valuer as per requirement of Ind AS 40, which is classified as Level 3.

Notes forming part of the Financial Statements for the year ended 31 March 2019

(Rs. in lacs)

Note 11: Property, Plant and Equipment

Property, Plant and Equipment for current year	Tangible Assets										Intangible Assets (Other than Internally generated)					
	Leasehold Imp. in Buildings on op. lease	Office Premises	Electricals	Furniture & Fixtures	Vehicles	Office Equipments	Computer Hardware, Networks & Servers	Total Tangible Assets (a)	Capital work-in-progress (b)	Total (a) + (b)	Bombay Stock Exchange Card	Computer software	Electronic trading platform (Website)	Total Intangible Assets (a)	Intangible assets under development (b)	Total (a) + (b)
As at 01-04-2018	2,125	1,067	36	266	517	1,053	5,241	10,305	533	10,838	288	4,041	164	3,634	394	4,028
Additions during the year	189	-	-	26	208	138	750	1,312	-	1,312	-	681	0	681	359	1,040
Deletions/ Adjustments during the year	203	-	-	14	75	187	142	620	235	855	-	-	-	-	-	-
As at 31-03-2019	2,111	1,067	36	278	650	1,004	5,849	10,995	319	11,314	288	4,722	164	5,174	753	5,927
As at 01-04-2018	1,150	96	16	191	206	820	3,943	5,934	-	5,934	288	2,796	162	2,850	-	2,850
Charge for the year	238	18	4	28	142	122	748	1,301	-	1,301	-	535	1	536	-	536
Deletions during the year	152	-	-	11	53	185	140	542	-	542	-	-	-	-	-	-
As at 31-03-2019	1,236	114	20	208	295	757	4,551	7,180	-	7,180	288	3,331	163	3,782	-	3,782
As at 01-04-2018	975	971	20	75	311	233	1,298	3,882	533	4,416	-	1,245	2	1,247	394	1,641
As at 31-03-2019	875	953	16	70	355	247	1,298	3,814	319	4,133	-	1,392	1	1,392	753	2,145

Property, Plant and Equipment for previous year	Tangible Assets										Intangible Assets (Other than Internally generated)					
	Leasehold Imp. in Buildings on op. lease	Office Premises	Electricals	Furniture & Fixtures	Vehicles	Office Equipments	Computer Hardware, Networks & Servers	Total Tangible Assets (a)	Capital work-in-progress (b)	Total (a) + (b)	Bombay Stock Exchange Card	Computer software	Electronic trading platform (Website)	Total Intangible Assets (a)	Intangible assets under development (b)	Total (a) + (b)
As at 01-04-2017	1,687	1,067	36	227	406	937	4,829	9,189	273	9,462	288	3,182	164	3,634	324	3,958
Additions during the year	473	-	-	47	204	136	763	1,623	260	1,883	-	859	-	859	70	929
Deletions/ Adjustments during the year	35	-	-	8	93	20	351	507	-	507	-	-	-	-	-	-
As at 31-3-2018	2,125	1,067	36	266	517	1,053	5,241	10,305	533	10,839	288	4,041	164	4,493	394	4,887
As at 01-04-2017	963	79	12	156	168	746	3,687	5,811	-	5,811	288	2,404	158	2,850	-	2,850
Charge for the year	212	17	4	42	111	93	608	1,087	-	1,087	-	394	4	397	-	397
On deletions during the year	25	-	-	7	73	19	352	476	-	476	-	-	-	-	-	-
As at 31-03-2018	1,150	96	16	191	206	820	3,943	6,422	-	6,422	288	2,796	162	3,246	-	3,246
As at 01-04-2017	724	988	24	71	238	191	1,144	3,380	273	3,653	-	778	6	784	324	1,108
As at 31-03-2018	975	971	20	75	311	233	1,298	3,882	533	4,416	-	1,245	2	1,247	394	1,641

Notes forming part of the Financial Statements for the year ended 31 March 2019

Note 12: Other non-financial assets (Rs. in lacs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
GST / Service Tax Receivable	-	-	28
Prepaid Expenses	903	539	379
Total	903	539	407

Note 13: Payables (Rs. in lacs)

Trade Payables

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Total outstanding dues of Micro enterprise and small enterprises	4	3	2
Total	4	3	2
Total outstanding dues of other than Micro enterprise and small enterprises			
Payable to Exchanges	22	3	1
Payable to Clients	74,267	51,570	45,100
Other trade payables	74	72	45
Total	74,363	51,645	45,146

Footnote:

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

(ii) The disclosures relating to Micro and Small Enterprises are as under: (Rs. in lacs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
(a) The principal amount remaining unpaid to any supplier as at the end of the accounting year	-	-	-
(b) The interest due thereon remaining unpaid to any supplier as at the end of the accounting year	4	3	2
(c) The amount of interest paid, along with the amount of payment made to the supplier beyond the appointed day during the year	-	-	-
(d) The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	2	2	1
(e) The amount of interest accrued during the year and remaining unpaid at the end of the accounting year	2	1	1
(f) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-	-

Notes forming part of the Financial Statements for the year ended 31 March 2019

Note 14: Other financial liabilities

(Rs. in lacs)

Particulars	As at		As at
	31 March 2019	31 March 2018	1 April 2017
Security deposits received	65	76	70
Unpaid dividends	-	-	16
Total	65	76	86

Note 15: Provisions

(Rs. in lacs)

Particulars	As at		As at
	31 March 2019	31 March 2018	1 April 2017
(a) Provision for employee benefits			
Payroll & employee benefits	3,054	4,307	3,425
Provision for gratuity	6	(5)	288
Compensated absences	567	505	290
(b) Others			
Provision for expense	2,906	3,168	2,700
Total	6,533	7,975	6,703

Note 16: Other non-financial liabilities

(Rs. in lacs)

Particulars	As at		As at
	31 March 2019	31 March 2018	1 April 2017
Deferred rental income	11	-	6
Liabilities for capital goods	325	163	119
Statutory Dues including TDS and PF	1,102	2,114	3,720
Income received in advance	655	1,271	975
Provision for Fringe Benefit Tax	1	1	1
Total	2,094	3,549	4,821

Note 17: Share Capital

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

(Rs. in lacs)

Particulars	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	Number	Amount	Number	Amount	Number	Amount
Authorised						
Equity Shares of Rs. 10 each	20,000,000	2,000	20,000,000	2,000	20,000,000	2,000
Issued, Subscribed & Paid-up						
Equity Shares of Rs. 10 each fully paid up	15,613,825	1,561	15,552,675	1,555	15,483,125	1,548
Total	15,613,825	1,561	15,552,675	1,555	15,483,125	1,548

(i) Reconciliation of the number of shares outstanding at the beginning and end of the year

(Rs. in lacs)

Particulars	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	Number	Amount	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	15,552,675	1,555	15,483,125	1,548	15,483,125	1,548
Shares issued under ESOP during the year	61,150	6	69,550	7	-	-
Shares outstanding at the end of the year	15,613,825	1,561	15,552,675	1,555	15,483,125	1,548

Notes forming part of the Financial Statements for the year ended 31 March 2019

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

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

(iii) Shares in the Company held by the holding Company (Rs. in lacs)

Particulars	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	Number	Amount	Number	Amount	Number	Amount
Equity Shares held by HDFC Bank Limited	15,190,044	1,519	15,190,044	1,519	15,160,295	1,516
Total	15,190,044	1,519	15,190,044	1,519	15,160,295	1,516

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

Particulars	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity Shares held by HDFC Bank Limited	15,190,044	97.29%	15,190,044	97.67%	15,160,295	97.91%
Total	15,190,044	97.29%	15,190,044	97.67%	15,160,295	97.91%

(v) Shares reserved for issue under options

6,19,300 number of shares are reserved to be issued under employees stock option scheme (ESOP II)

Note 18: Other Equity (Rs. in lacs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Share based payment reserve	400	371	74
Capital Contribution from parent	760	286	-
Securities Premium Account	5,248	4,335	3,319
Retained Earnings	94,546	75,966	59,237
Less: Appropriations - Final dividend on equity shares*	(6,998)	(3,097)	-
Less: Appropriations - Tax on dividend on equity shares	(3,204)	(2,688)	(1,260)
Less: Appropriations(-) Interim Dividends	(8,588)	(10,109)	(6,193)
Profit for the year	32,982	34,472	24,183
Other Comprehensive Income	169	94	-
General Reserve Account	2,500	2,500	2,500
Total	117,815	102,130	81,860

* The Company has paid the final dividend for FY1718 of Rs 45 per share (For FY1617 the final dividend was Rs 20 per share).

a Share based payment reserve

Share based payment expense pertaining to outstanding portion of the option not yet exercised.

Notes forming part of the Financial Statements for the year ended 31 March 2019

- b Capital Contribution from parent
Capital contribution from parent is the parent Company share based payment cost of the employees who are on secondment with Company.
- c Securities Premium Account
Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act, 2013.
- d Retained Earnings
Retained earnings represents surplus/accumulated earnings of the Company and are available for distribution to shareholders.
- e Other comprehensive income
Other comprehensive income consist of remeasurement gains/ losses on defined benefit plans.
- f General Reserve Account
The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to statement of profit and loss.

Note 19: Brokerage and Fee Income

(Rs. in lacs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Brokerage Income	52,598	58,875
Fee Income	12,618	11,966
Total	65,216	70,841

Fee Income consists of Commission on sale of insurance products as mentioned below:

Commission on sale of Life Insurance	2,116	1,204
Commission on sale of General Insurance	17	12
Commission on sale of Health Insurance	26	1

Note 20: Interest Income

(Rs. in lacs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
On Financial Assets measured at Amortised Cost		
Interest on Loans	2,816	-
Interest on deposits with Banks	2,501	2,836
Other interest Income	1,655	2,564
On Financial Assets classified at fair value through profit or loss		
Interest income from investments	8	8
Total	6,980	5,408

Notes forming part of the Financial Statements for the year ended 31 March 2019

Note 21: Sale of Services		(Rs. in lacs)	
Particulars	Year ended 31 March 2019	Year ended 31 March 2018	
SMS and Value Added Services	774	727	
Total	774	727	

Note 22: Net gain on fair value changes		(Rs. in lacs)	
Particulars	Year ended 31 March 2019	Year ended 31 March 2018	
Net gain on financial instruments at fair value through profit or loss			
On Investment	4,972	2,768	
Total	4,972	2,768	
Fair Value changes:			
Realised	4,972	1,634	
Unrealised	-	1,134	
Total	4,972	2,768	

Note 23: Rental Income		(Rs. in lacs)	
Particulars	Year ended 31 March 2019	Year ended 31 March 2018	
Rental income from operating leases	175	175	
Amortisation of deferred rental income	4	6	
Total	179	181	

Note 24: Dividend Income		(Rs. in lacs)	
Particulars	Year ended 31 March 2019	Year ended 31 March 2018	
Dividend income on investments	74	72	
Total	74	72	

Note 25: Other Income		(Rs. in lacs)	
Particulars	Year ended 31 March 2019	Year ended 31 March 2018	
Miscellaneous income	10	10	
Total	10	10	

Note 26: Finance Costs		(Rs. in lacs)	
Particulars	Year ended 31 March 2019	Year ended 31 March 2018	
On Financial liabilities measured at Amortised Cost			
Other interest expense	11	7	
Total	11	7	

Notes forming part of the Financial Statements for the year ended 31 March 2019

Note 27: Net loss on fair value changes

(Rs. in lacs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Net loss on financial instruments at fair value through profit or loss		
Investment	1,139	-
Total	1,139	-
Fair Value changes:		
Realised	-	-
Unrealised	1,139	-
Total	1,139	-

Note 28: Impairment on financial instruments

(Rs. in lacs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
On Financial instruments measured at Amortised Cost		
Loans	28	-
Trade & Other Receivable	(24)	62
Total	4	62

Note 29: Employee Benefits Expenses

(Rs. in lacs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Salaries and wages	13,223	13,298
Contribution to provident and other Funds	540	517
Share Based Payments to employees	729	815
Staff welfare expenses	802	699
Total	15,293	15,329

Note 30: Other expenses

(Rs. in lacs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Stamp, registration and trading expenses	874	932
Legal and Professional charges	1,520	1,488
Director's fees, allowances and expenses	32	29
Repairs and Maintenance	1,807	1,711
Rent, taxes and energy costs	1,951	2,283
Advertisement and publicity	203	670
Auditor's fees and expenses (Refer Note 46)	30	19
Insurance	37	56
Printing and stationery	176	180
Expenditure on Corporate Social Responsibility (Refer Note 41)	688	583
Communication Costs	1,766	1,768
Other expenditure	1,287	915
Total	10,371	10,634

Notes forming part of the Financial Statements for the year ended 31 March 2019

31 Explanation of transition to Ind AS

These financial statements, for the year ended 31 March 2019, are the first financial statements the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounting Standard) Rule 2014 ('Previous GAAP' or 'Indian GAAP').

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2019, together with the comparative period data as at and for the year ended 31 March 2018, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2017, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2017 and the financial statements as at and for the year ended 31 March 2018.

In preparing these financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions.

A. Exemptions availed on first time adoption of Ind AS 101

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has accordingly applied the following exemptions.

I. Property plant and equipment, intangible assets and investment properties

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment. The same election has been made in respect of intangible assets and investment property.

B. Mandatory exceptions

I. Estimates

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Fair valuation of financial instruments carried at FVTPL and/ or FVOCI.
- Impairment of financial assets based on the expected credit loss model.

Transition to Ind AS:

The following reconciliations provide a quantification of the effect of significant differences arising from the transition from Indian GAAP to Ind AS in accordance with Ind AS 101 for the following:

A Reconciliation of Equity (Rs in lacs)

Particulars	Note	As at 31 March 2018	As at 1 April 2017
Equity under Previous GAAP (A)		100,079	80,741
<u>Summary of Ind AS Adjustments:</u>			
Measuring investments at Fair Value through Profit or Loss	I	4,827	3,694
Expected credit loss	II	(31)	29
Reversal of lease straight lining	III	210	280
Deferred Tax (liabilities) on above adjustments (Net)	IV	(1,400)	(1,336)
Total Ind AS Adjustments (B)		3,606	2,667
Equity under Ind AS (A+B)		103,685	83,408

Notes forming part of the Financial Statements for the year ended 31 March 2019

B Reconciliation of Total Comprehensive income

Rs in lacs

Particulars	Note	For the year ended 31 March 2018
Net Profit after tax for the period as per previous GAAP (A)		34,442
<u>Summary of Ind AS Adjustments:</u>		
Measuring investments at Fair Value through Profit or Loss	I	1,134
ESOP compensation cost	V	(815)
Expected credit loss	II	(60)
Reversal of lease straight lining	III	(70)
Re-measurement gains/ (losses) on defined benefit plans		(94)
Tax adjustments on above adjustments (Net)	IV	(64)
Total Ind AS Adjustments (B)		30
Net Profit as per Ind AS (A+B)		34,472
Other Comprehensive Income (Net of tax)	VI	94
Total Comprehensive Income for the period as per Ind AS		34,566

Reconciliation of cash flows for the year ended 31 March 2018

Rs in lacs

Particulars	Note	Previous GAAP	Ind AS Adjustments	Ind AS
Net cash flow from operating activities	I, II, III, IV, V, VI	54,144	5,640	59,784
Net cash flow from investing activities	I, II, III, IV, V, VI	(44,533)	7,387	(37,146)
Net cash flow from financing activities		(15,119)	-	(15,119)
Net increase in cash & cash equivalents	I, II, III, IV, V, VI	(5,508)	13,027	7,519
Cash & cash equivalents as on April 1, 2017	I, II, III, IV, V, VI	37,213	(18,226)	18,987
Cash & cash equivalents as on March 31, 2018	I, II, III, IV, V, VI	31,705	(5,199)	26,506

Notes to the reconciliation:

I. Fair Value of Investment

Under Previous GAAP, the Company accounted, long term investments at cost less provision for diminution other than temporary in nature and current investments at lower of cost or market value. Under Ind AS, the Company has classified these investments as financial assets measured at fair value through profit or loss. Ind AS requires that investment classified at FVTPL, are measured at fair value. At the date of transition to Ind AS, difference between fair value and the Previous GAAP carrying value has been recognized in retained earnings. Subsequent to the date of transition to Ind AS, fair value gain or loss has been recognized to Statement of Profit and Loss.

II. Trade receivables / loans to customer

Under previous GAAP, the Company created provision for impairment of receivables / loans to customer on specific amount for incurred losses and on a 180 days overdue basis. Under Ind AS, impairment allowance has been determined based on Expected Loss model (ECL). On account of adopting the ECL model, the resultant impairment charge as on 1 April 2017 has been adjusted against opening Retained Earning. The ECL impact for the year ended 31 March 2018 has been recognised in the statement of profit and loss.

III. Lease rental

Under previous GAAP, the operating lease rentals was recognised as an expense on a straight line basis over the lease period. Under Ind AS, where the escalation rate is in line with the general inflation rate, straight lining of lease rentals is not required.

Notes forming part of the Financial Statements for the year ended 31 March 2019

IV. Deferred tax assets / liabilities

Previous GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12-Income Taxes requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of asset or liability in the balance sheet and its corresponding tax base. In addition, the various transitional adjustments lead to temporary differences. Accordingly, the Company is required to account for such differences. Deferred tax adjustments are recognized in correlation to the underlying transaction either in retained earnings or as a separate component of equity.

V. Fair valuation of share based payments

Company's Employee Stock Option Scheme ('the Scheme') provides the grant of options to acquire equity shares of the Company to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period. Under previous GAAP the Company followed the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost was measured by the excess, if any, of the fair value of the underlying stock over the exercise price as determined under the option plan. Under Ind AS the Company has accounted these share based payment transaction using fair value methodology as per Ind AS 102. The Company determined fair value of all the unvested options using option pricing model (black and Scholes method) on the date of grant and amortising this fair value over vesting period by debiting the statement of Profit and Loss and crediting corresponding ESOP reserves.

VI. Actuarial Gain or Loss (Net of tax)

Under Previous GAAP, the Company did not present Other Comprehensive Income (OCI) separately. Hence it has reconciled Previous GAAP profit or loss to profit or loss as per Ind AS. Further, Previous GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

Both under Previous GAAP and Ind AS, the Company recognized costs related to post employment defined benefit plan on an actuarial basis. Under Previous GAAP, the entire costs, including actuarial gains and losses, are charged to Statement of Profit and Loss. Under Ind AS, remeasurements are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income.

32 Earning per share

A. Basic Earnings per share

The calculations of profit attributable to equity shareholders and weighted average number of equity shares outstanding for purposes of basic earnings per share calculation are as follows:

	Particulars		31 March 2019	31 March 2018
a	Equity shares outstanding at the beginning of the year	Nos.	15,552,675	15,483,125
b	Add: Weighted average number of equity shares issued during the year	Nos.	5,194	3,620
c	Weighted average number of equity shares for basic earnings per share (a + b)	Nos.	15,557,869	15,486,745
d	Net profit after tax available for equity shareholders	Rs. in lacs	32,982	34,473
e	Basic earnings per share of Rs. 10 each (c/d)	Rs.	212.00	222.59

Notes forming part of the Financial Statements for the year ended 31 March 2019

B. Diluted Earnings per share

The calculation of diluted earnings per share is based on profit attributable to equity shareholders and weighted average number of equity shares outstanding, after adjustment for the effects of all dilutive potential equity shares as follows:

	Particulars		31 March 2019	31 March 2018
a	Weighted average number of equity shares for basic earnings per share	Nos.	15,557,869	15,486,745
b	Add: Impact of Diluted ESOPs	Nos.	99,949	156,322
c	Weighted average number of equity shares for diluted earnings per share (a + b)	Nos.	15,657,817	15,643,067
d	Net profit after tax available for equity shareholders	Rs. in lacs	32,982	34,473
e	Diluted earnings per share of Rs. 10 each (c/d)	Rs.	210.64	220.37

33 Financial instruments

A. Financial instruments - Fair values

1. Accounting classification and fair values

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy: **(Rs in lacs)**

Particulars	Carrying amount			Fair value		
	FVTPL	Amortised cost	Total	Level 1	Level 2	Total
March 31, 2019						
<u>Financial assets</u>						
<u>Financial assets measured at fair value</u>						
Investments	42,067		42,067	39,885	2,182	42,067
<u>Financial assets not measured at fair value</u>						
Cash and cash equivalents		19,538	19,538	-	-	-
Bank Balance other than above		38,994	38,994	-	-	-
Receivables				-	-	-
Trade Receivables		65,911	65,911	-	-	-
Loans		22,632	22,632	-	-	-
Other Financial Assets		4,506	4,506	-	-	-
Total	42,067	151,581	193,648	39,885	2,182	39,885
<u>Financial liabilities</u>						
<u>Financial liabilities not measured at fair value</u>						
Trade Payables		74,367	74,367	-	-	-
Other financial liabilities		65	65	-	-	-
Total	-	74,432	74,432	-	-	-

Notes forming part of the Financial Statements for the year ended 31 March 2019

The carrying value and fair value of financial instruments by categories as of 31 March 2018 are as follows:

(Rs in lacs)

Particulars	Carrying amount			Fair value		
	FVTPL	Amortised cost	Total	Level 1	Level 2	Total
March 31, 2018						
<u>Financial assets</u>						
<u>Financial assets measured at fair value</u>						
Investments	79,222		79,222	75,937	3,286	79,222
<u>Financial assets not measured at fair value</u>						
Cash and cash equivalents		26,506	26,506	-	-	-
Bank Balance other than above		9,136	9,136	-	-	-
Receivables						
Trade Receivables		41,951	41,951	-	-	-
Loans		-	-	-	-	-
Other Financial Assets		2,620	2,620	-	-	-
Total	79,222	80,213	159,435	75,937	3,286	79,222
<u>Financial liabilities</u>						
<u>Financial liabilities not measured at fair value</u>						
Trade Payables	-	51,648	51,648	-	-	-
Other financial liabilities	-	76	76	-	-	-
Total	-	51,724	51,724	-	-	-

The carrying value and fair value of financial instruments by categories as of 1 April 2017 are as follows:

(Rs in lacs)

Particulars	Carrying amount			Fair value		
	FVTPL	Amortised cost	Total	Level 1	Level 2	Total
April 1, 2017						
<u>Financial assets</u>						
<u>Financial assets measured at fair value</u>						
Investments	34,555		34,555	33,129	1,426	34,555
<u>Financial assets not measured at fair value</u>						
Cash and cash equivalents		18,987	18,987	-	-	-
Bank Balance other than above		43,658	43,658	-	-	-
Receivables						
Trade Receivables		35,336	35,336	-	-	-
Loans		-	-	-	-	-
Other Financial Assets		1,765	1,765	-	-	-
Total	34,555	99,746	134,301	33,129	1,426	34,555
<u>Financial liabilities</u>						
<u>Financial liabilities not measured at fair value</u>						
Trade Payables		45,148	45,148	-	-	-
Operating Leases		86	86	-	-	-
Total	-	45,234	45,234	-	-	-

Notes forming part of the Financial Statements for the year ended 31 March 2019

2. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principle (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether the price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on hierarchy of valuation techniques, as explained in the note 2.5.

Note: At 31 March 2019, 31 March 2018 and 01 April 2017, the Company did not held any financial assets or financial liabilities which could have been categorized as level 3.

Note:

Particulars	31 March 2019	31 March 2018	1 April 2017
The fair value of collateral held	120,387	64,464	57,679

Note: The above collaterals are held from the broking clients, for positions in equity & derivatives segments.

Transfers between Levels 1 and 2

There were no transfers between level 1 and level 2.

3. Financial instruments not measured at fair value

Financial assets not measured at fair value includes cash and cash equivalents, trade receivables, loans and other financial assets. These are financial assets whose carrying amounts approximate fair value, due to their short-term nature.

Additionally, financial liabilities such as trade payables and other financial liabilities are not measured at FVTPL, whose carrying amounts approximate fair value, because of their short-term nature.

B. Financial risk management

Company has operations in India. Whilst risk is inherent in the Company's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk. It is also subject to various operating and business risks.

a. Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligation. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in relations to such limits.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the financial statements. The Company's major classes of financial assets are cash and cash equivalents, loans, investment in mutual fund units, term deposits, trade receivables and security deposits.

Deposits with banks are considered to have negligible risk or nil risk, as they are maintained with high rated banks/financial institutions as approved by the Board of directors.

Investments primarily include investment in liquid mutual fund units that are marketable securities of eligible financial institutions for a specified time period with high credit rating given by domestic credit rating agencies.

The management has established accounts receivable policy under which customer accounts are regularly monitored. The Company has a dedicated risk management team, which monitors the positions, exposures and margins on a continuous basis.

Notes forming part of the Financial Statements for the year ended 31 March 2019

Expected Credit Loss (ECL):

For the purpose of computation of ECL, the term default implies an event where amount due towards margin requirement and / or mark to market losses for which the client was unable to provide funds / collaterals to bridge the shortfall, the same is termed as margin call triggered.

For arriving at the ECL, the Company follows ECL module as approved by board.

The movement in expected credit loss (Rs in lacs)

Particulars	Carrying amount	Carrying amount	Carrying amount
	31 March 2019	31 March 2018	1 April 2017
Opening balance	121	61	90
Impairment loss recognised / (reversed)	4	60	(29)
Closing balance	126	121	61

b. Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The entity's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

Prudent liquidity risk management requires sufficient cash and marketable securities and availability of funds through adequate committed credit facilities to meet obligations when due and to close out market positions.

The Company has a view of maintaining liquidity with minimal risks while making investments. The Company invests its surplus funds in short term liquid assets in bank deposits and liquid mutual funds. The Company monitors its cash and bank balances periodically in view of its short term obligations associated with its financial liabilities.

The following are the remaining contractual maturities of financial asset & liabilities as on 31 March 2019

Financial Assets (Rs in lacs)

Particulars	Less than 1 year	1-2 years	2-4 years	Total
Cash and cash equivalents	19,538	-	-	19,538
Other balances with banks	38,994	-	-	38,994
Receivables	65,911	-	-	65,911
Loans	22,632	-	-	22,632
Investments	42,067	-	-	42,067
Other Financial Assets	4,506	-	-	4,506
Total	193,648	-	-	193,648

Financial Liabilities (Rs in lacs)

Particulars	Less than 1 year	1-2 years	2-4 years	Total
total outstanding dues of micro enterprises and small enterprises	4	-	-	4
total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	-	-
Payable to Exchanges	22	-	-	22
Payable to Clients	74,267	-	-	74,267
Other trade payables	74	-	-	74
Security deposits received	-	-	65	65
Total	74,367	-	65	74,432

Notes forming part of the Financial Statements for the year ended 31 March 2019

The following are the remaining contractual maturities of financial assets & liabilities as on 31 March 2018

Financial Assets (Rs in lacs)

Particulars	Less than 1 year	1-2 years	2-4 years	Total
Cash and cash equivalents	26,506	-	-	26,506
Other balances with banks	9,136	-	-	9,136
Receivables	41,951	-	-	41,951
Investments	79,222	-	-	79,222
Other Financial Assets	2,620	-	-	2,620
Total	159,435	-	-	159,435

Financial Liabilities (Rs in lacs)

Particulars	Less than 1 year	1-2 years	2-4 years	Total
total outstanding dues of micro enterprises and small enterprises	3			3
total outstanding dues of creditors other than micro enterprises and small enterprises	-			-
Payable to Exchanges	3			3
Payable to Clients	51,570			51,570
Other trade payables	72			72
Security deposits received	76			76
Total	51,724	-	-	51,724

The following are the remaining contractual maturities of financial assets & liabilities as on 1 April 2017

Financial Assets (Rs in lacs)

Particulars	Less than 1 year	1-2 years	2-4 years	Total
Cash and cash equivalents	18,987	-	-	18,987
Other balances with banks	43,658	-	-	43,658
Receivables	35,336	-	-	35,336
Investments	34,555	-	-	34,555
Other Financial Assets	1,765	-	-	1,765
Total	134,301	-	-	134,301

Financial Liabilities (Rs in lacs)

Particulars	Less than 1 year	1-2 years	2-4 years	Total
total outstanding dues of micro enterprises and small enterprises	2			2
total outstanding dues of creditors other than micro enterprises and small enterprises	-			-
Payable to Exchanges	1			1
Payable to Clients	45,100			45,100
Other trade payables	45			45
Security deposits received	70			70
Unpaid dividends	16			16
Total	45,234	-	-	45,234

Notes forming part of the Financial Statements for the year ended 31 March 2019

c. Market risk

Market risk is the risk that the fair value or future Cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

i. Foreign currency risk

The Company does not have any foreign currency exposure as at each reporting date. Accordingly, foreign currency risk disclosure is not applicable.

ii. Interest rate risk

The Company is exposed to Interest risk if the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates.

The Company's interest rate risk arises from interest bearing deposits with bank and loans given to customers. Such instruments exposes the Company to fair value interest rate risk. Management believe that the interest rate risk attached to this financial assets are not significant due to the nature of this financial assets.

iii. Market price risks

The Company is exposed to market price risk, which arises from FVTPL investment in mutual funds. The management monitors the proportion of mutual funds investments in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the appropriate authority.

34 Income Tax

A Amounts recognised in profit or loss (Rs in lacs)

Particulars	As at 31 March 2019	As at 31 March 2018
Current Tax		
Current Period	16,947	18,086
Tax Relating to prior period	(138)	-
	16,809	18,086
Deferred Tax		
Attributable to –		
Origination and reversal of temporary differences	(259)	(97)
Reduction in tax rate	(9)	-
	(268)	(97)
Tax expense	16,541	17,989

B Income tax recognised in other comprehensive income

	As at 31 March 2019		
	Before tax	Tax (expense)	Net of tax
Remeasurements of defined benefit liability (asset)	114	(39)	75
Total	114	(39)	75
	As at 31 March 2018		
	Before tax	Tax (expense)	Net of tax
Remeasurements of defined benefit liability (asset)	143	(49)	94
Total	143	(49)	94

The tax impact for the below purpose has been arrived at by applying the tax rate 34.94% (previous years - 34.60%) being the prevailing tax rates for domestic companies under Income Tax Act, 1961.

Notes forming part of the Financial Statements for the year ended 31 March 2019

C Reconciliation of effective tax rate (Rs in lacs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Profit before income tax	49,523	52,462
Tax using Company's domestic tax rate	17,305	18,156
Effect of		
Corporate social responsibility	109	101
Long Term Capital Gain	(507)	(360)
Provision for employee benefits	(209)	(2)
Provision for Tax Earlier Years	(138)	-
Others (Net)	(19)	96
Total Tax Expense	16,541	17,989

* Less than Rs 50000

The effective income tax rate for 31 March 2019 is 33.40% (31 March 2018 is 34.30%)

D Recognised deferred tax assets and liabilities (Rs in lacs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Temporary differences attributable to:			
Deferred tax liabilities			
Property, plant and equipment	142	206	192
Fair value of investments	1,288	1,641	1,256
Reversal of rent straight lining	-	71	95
Expected credit loss	-	-	10
	<u>1,430</u>	<u>1,918</u>	<u>1,553</u>
Deferred tax assets			
Provision for employee benefits	200	175	200
Provision for Doubtful debts	33	32	31
Provision for Rates and Taxes	222	220	71
Provision for Contingencies	32	17	17
ESOP compensation cost	-	302	25
Expected credit loss	11	10	-
	<u>498</u>	<u>756</u>	<u>344</u>
Net deferred tax liability recognised on the balance sheet	932	1,162	1,209

35 Proposed Dividend

The Board of Directors, in their meeting held on April 16, 2019 have proposed a final dividend of Rs. 55 per equity share (previous year Rs 45 per equity share). The proposal is subject to the approval of shareholders at the Annual General Meeting.

36 Contingent liabilities and Pending capital commitments (Rs in lacs)

Particulars	Note	31 March 2019	31 March 2018
Claims against the Company not acknowledged as debt	1	237	95
Service tax and Stamp Duty demands	2	63	62

Notes forming part of the Financial Statements for the year ended 31 March 2019

Note 1

The claims which are in dispute with the clients and where settlements are still pending and not provided in the books of accounts has been contingent for the Company.

Note 2

The statutory dues which are in dispute and where settlements are still pending and not provided in the books of accounts has been contingent for the Company.

Note 3

There are numerous interpretative issues relating to the Supreme Court (SC) judgement dated 28th February, 2019, relating to components/allowances paid that need to be taken into account while computing an employer's contribution of provident fund under the EPF Act. The company is in the process of evaluating the method of computation of its PF contribution prospectively and would record any further effect in its financial statements, on receiving additional clarity on the subject.

Pending capital commitments

As at 31 March 2019 the Company has contracts remaining to be executed on capital account and not provided for. The estimated amount of contracts (net of advances) towards property, plant and equipment is Rs 556 lacs (previous year - Rs 641 lacs).

37 Foreign Currency Transaction

a) Expenditure in Foreign Currency (Rs in lacs)

Particulars	31 March 2019	31 March 2018
STP and Chat Integration Charges	13	15
Total	13	15

b) Earnings in Foreign Currency (Rs in lacs)

Particulars	31 March 2019	31 March 2018
Commission on sale of Superfund Mutual Fund	-	9
Research Information Services	5	3
Total	5	12

38 Employee benefits

A Defined Contribution Plan

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

A sum of Rs. 374 lacs (Previous Year Rs. 358 lacs) has been charged to the Statement of Profit and Loss towards National Pension fund, provident fund and family pension fund.

The Employee State Insurance Scheme ("ESIC") is a contributory scheme providing medical, sickness, maternity, and disability benefits to the insured employees under the Employees State Insurance Act, 1948. The charge to the Statement of Profit and Loss is Rs 96 lacs (Previous Year Rs. 119 lacs), which is classified as a part of "Contributions to provident and other funds" [Refer Note No. 29]

B Defined Benefit Plan

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, the employee who has completed

Notes forming part of the Financial Statements for the year ended 31 March 2019

five years of service is entitled to specific benefit.

Compensated absence which are expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as undiscounted liability at the balance sheet date.

The Company contributes funds to a post retirement defined benefit plan for gratuity, details of which are as follows:

1 Reconciliation of the net defined benefit (asset) liability (Rs in lacs)

Particulars	31 March 2019	31 March 2018
Balance at the beginning of the year	772	753
Current Service Cost	125	135
Interest Cost	57	51
Actuarial Losses	(115)	(144)
Benefits paid	(37)	(23)
Balance at the end of the year	802	772

2 Reconciliation of the present value of plan assets (Rs in lacs)

Particulars	31 March 2019	31 March 2018
Balance at the beginning of the year	777	465
Expected return on Plan Assets	56	35
Contributions	-	300
Benefits paid	(37)	(23)
Actuarial Gain / (Loss)	-	-
Balance at the end of the year	796	777

3 Amount to be recognised in Balance Sheet and movement in net liability (Rs in lacs)

Particulars	31 March 2019	31 March 2018
Present Value of Funded Obligation	802	772
Fair Value of Plan Assets	795	777
Net Liability Recognised in the Balance Sheet	6	(5)

4 Expenses recognised in the Income Statement (Rs in lacs)

Particulars	31 March 2019	31 March 2018
Current Service Cost	125	135
Past Service Cost	-	-
Loss / (Gain) on settlement	-	-
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	(0)	16
Net gratuity expenses recognized in the Statement of Profit and Loss	124	151

Notes forming part of the Financial Statements for the year ended 31 March 2019

5 Remeasurements recognised in other comprehensive income

Particulars	31 March 2019	31 March 2018
Actuarial (gains) / losses		
- change in demographic assumptions	13	(2)
- change in financial assumptions	(105)	(99)
- experience variance (i.e. Actual experience vs assumptions)	(24)	(42)
Return on plan assets, excluding amount recognised in net interest expense	1	-
Total	(115)	(143)

6 Major categories of Plan Assets (as percentage of Total Plan Assets)

Particulars	31 March 2019	31 March 2018
Funds managed by Insurer	100	100
Grand Total	100	100

7 Experience Adjustments

(Rs in lacs)

Particulars	31 March 2019	31 March 2018	31 March 2017	31 March 2016
Defined Benefit Obligation	802	772	753	481
Fair value of Plan Assets	795	777	465	312
Surplus / (Deficit)	(7)	5	(288)	(169)

8 Summary of Actuarial Assumptions

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

Particulars	31 March 2019	31 March 2018
Discount Rate	7.20%	7.40%
Salary Escalation Rate	9.00%	11.00%
Mortality	Indian Assured Lives Mortality tables (2006-08)	Indian Assured Lives Mortality tables (2006-08)

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

9 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

(Rs in lacs)

Particulars	31 March 2019		31 March 2018	
	Decrease	Increase	Decrease	Increase
Discount Rate (1% movement)	833	(717)	868	744
Salary Growth Rate (1% movement)	(719)	831	(744)	866
Attrition rate (50% movement)	924	(697)	879	(756)
Mortality Rate (10% movement)	772	772	802	801

10 Other Details

The Employer's best estimate of the contributions expected to be paid to the plan during the next year - Rs. 119 lacs (previous year - Rs. 116 lacs).

Notes forming part of the Financial Statements for the year ended 31 March 2019

39 Operating Leases

A Leases as lessee

The Company has taken various premises under leave and license agreements. The Company has also taken premises on sub-lease from Group Companies. For these branches, the rent and escalations depend upon the lease by Group Company. In other instances the Company has generally entered into a lease of nine years, with escalation of fifteen percent after every three years. The Company has given refundable interest free security deposits under certain agreements.

Lease payments are recognised in the Statement of Profit and Loss under 'Other expenses' in Note no. 30. Rent expenses of Rs. 1,951 lacs (Previous year – Rs. 2,283 lacs) in respect of obligation under operating leases.

The future minimum lease payments are as follows: (Rs in lacs)

Particulars	31 March 2019	31 March 2018
Not later than one year	862	1,027
Later than one year but not later than five years	2,319	2,409
Later than five years	1,097	904

B Leases as lessor

The Company has given some portion of its office premises on lease to its parent Company for a period of 4 years including escalation clause of 15% after first year.

Lease receipts are recognised in the Statement of Profit and Loss under 'Rental Income' in Note no. 23. Rental Income of Rs. 175 lacs (Previous year - Rs. 175 lacs) in respect of obligation under operating leases.

The future minimum lease receipts are as follows: (Rs in lacs)

Particulars	31 March 2019	31 March 2018
Not later than one year	202	-
Later than one year but not later than five years	403	-
Later than five years	-	-

40 Corporate Social Responsibility (CSR) (Rs in lacs)

Particulars	31 March 2019	31 March 2018
Amount required to be spent by the Company u/s 135 of the Companies Act, 2013 for CSR	704	522
Amount advanced towards CSR for the year	704	522
Amount advanced for previous year	-	32
Dividend on HDFC Charity Fund on CSR investments	6	6
Total amount advanced	710	560
Amount advanced, pending utilization	(64)	(43)

41 Segment Reporting

The Company's business is to provide brokerage services to its clients in the capital markets within India. All other activities of the Company revolve around the main business. As such, there are no separate reportable segments as per the Ind AS on Operating Segment (Ind AS 108), specified under the Companies Act, 2013

Notes forming part of the Financial Statements for the year ended 31 March 2019

42 Related Party Disclosures

A.	Parent Company	HDFC Bank	
B.	List of Key Management Personnel : Key Management Personnel (KMP)	Mr. Bharat Shah Mr. Dhiraj Relli Mr. Abhay Aima Dr. (Mrs) Amla Samanta Mr. Jagdish Capoor Mr. S.S. Thakur Mr. Ashish Rathi Mr. Bhavesh Zaveri	Chairman Managing Director Director Independent Director Director Independent Director Whole-Time Director Additional Director
C.	Post Employment Benefits Plan	Employees Group Gratuity cum Life Assurance Scheme	
D.	List of other related parties Relative of KMP or Director of Parent Company	Aditya Puri Aditya A Samanta Akshay Paresh Sukthankar Amit Aditya Puri Amit Puri Amrita Puri Anami Narayan Roy Anita Bharat Shah Anita Puri Ankita Paresh Sukthankar Archana Relli Arnaaz Keki Mistry Ashim Shakti Samanta Ashok Sud Bharat Bhalchandra Karnad Dattatraya Mahadeo Sukthankar Equitymaster Agora Research Private Ltd Gargi Datta Gopinath Pant Housing Development Finance Corporation Ltd International Asset Reconstruction Company Pvt Ltd Jagdisan Chandrasekharan Jagdish Capoor Kaizad Maneck Bharucha Kamalkishore R Rathi Keki M Mistry Kriya Relli Lalita Kamalkishore Rathi Meenakshi Relli Neelima Jayant Patwardhan Paresh D Sukthankar Poonam Ashish Rathi	

Notes forming part of the Financial Statements for the year ended 31 March 2019

Radha Aima
 Radhika Bharat Shah
 Renu Sud Karnad
 Responsive Industries Limited
 Rishi Raj Sud
 Riti Karnad
 Riva Parekh
 Salisbury Investments Pvt Ltd
 Sangeeta P Sukthankar
 Sanjana Santosh Haldankar
 Sanjay Bindumadhav Dongre
 Santosh G Haldankar
 Sashi Jagdishan
 Shreya Sachar
 Shubhada D Sukthankar
 Shyamala Gopinath
 Sushama Sanjay Dongre
 Swarn Sud
 Uday Bindumadhav Dongre
 Vimal Relli
 HDB Financials

E. Entity under common control

F. Transactions with related parties

(Rs in lacs)

<u>Nature of Transaction</u>	HDFC Bank	
	31 March 2019	31 March 2018
Placement of fixed deposits	-	1,500
Redemption of fixed deposits	1,599	18,226
Franking Advance given	14	14
Rendering of services (including recoveries of expenses)	511	880
Receiving of services (including payment of expenses)	2,714	2,233
Interest received	9	1,163
Interest paid*	0	1
Dividend Paid	15,190	12,906
<u>Balance Outstanding</u>		
Receivables	171	56
Bank balances	19,421	22,954
Fixed deposits	20	1,619
Accrued interest on fixed deposit - receivable*	0	1
Accrued expenses	551	335
Advances	55	41
Deposit received	76	76
Deposit paid*	0	0

* Less than Rs. 50,000 /-

Notes forming part of the Financial Statements for the year ended 31 March 2019

(Rs in lacs)

<u>Nature of Transaction</u>	HDB Financials	
	31 March 2019	31 March 2018
Rendering of services (including recoveries of expenses)	9	1
Receiving of services (including payment of expenses)	11	21
<u>Balance Outstanding</u>		
Receivables*	5	0
Accrued expenses	2	9

* Less than Rs. 50,000 /-

(Rs in lacs)

<u>Nature of Transaction</u>	KMP & Directors	
	31 March 2019	31 March 2018
Rendering of services (including recoveries of expenses)	40	42
Receiving of services (including payment of expenses)	-	-
Sitting Fees Paid	32	29
Managerial Remuneration & Perquisites Paid	332	279
Dividend Paid	2	2
ESOP - Number of options outstanding	34,700	35,250

Note:

- The future liability for gratuity and compensated absences is provided on an actuarial basis for the Company as a whole, accordingly the amount pertaining to KMP's is not ascertainable separately, and not included above.
- Managerial remuneration includes bonus on accrual basis.

43 Share-based payment arrangements:

A. Description of share-based payment arrangements

i. Share option plans (Equity Settled)

On February 13, 2017 the Company has granted share options, that entitles the employees and the key management personnel (KMP) to purchase the shares in the Company. Holders of the vested stock options are entitled to purchase shares at the exercise price of the shares. The key terms and conditions related to the grants under the plan are as follows; and all options are to be settled by the delivery of shares.

Grant date / employees entitled	Number of instruments	Vesting conditions	Method of settlement	Contractual life of options
Options granted to employees and KMP on 13-02-2017	280,000	The options granted to the KMPs and employees shall vest in three years from the date of Grant.	Equity settled	Four years
Total share options granted till date	280,000			

B. Measurement of fair values

Equity-settled share-based payment arrangements

The fair value of the employee share options has been measured using Black - Scholes Option pricing model.

Notes forming part of the Financial Statements for the year ended 31 March 2019

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment options granted during the year are as follows:

	As at 31 March 2019
	Share option plan for KMPs and employees
Fair value of options as on grant date	371
Share price as on grant date	1136
Exercise price	1136
Expected volatility	43.53% to 42.48%
Expected life (expected weighted average life)	3 to 4 years
Expected dividends	3.52%
Risk- free interest rate (based on government bonds)	6.6% to 6.9%
Method used to determine expected volatility	The expected volatility is based on price volatility of listed companies in same or similar industry.

C. Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option programmes were as follows.

	Number of options 31 March 19	Exercise price 31 March 19	Number of options 31 March 18	Exercise price 31 March 18
(A) Equity-settled Share-based payments:				
Options outstanding as at the beginning of the year	201,450	Rs. 1136	280,000	Rs. 1136
Add: Options granted during the year	-	Rs. 1136	-	Rs. 1136
Less: Options lapsed/ forfeited during the year	6,650	Rs. 1136	9,000	Rs. 1136
Less: Options exercised during the year	61,150	Rs. 1136	69,550	Rs. 1136
Options outstanding as at the year end	133,650	Rs. 1136	201,450	Rs. 1136
Options exercisable as at the year end	29,050	Rs. 1136	11,750	Rs. 1136

D. Expense recognised in the statement of profit and loss

Refer note 29 on employee benefit expense, for information on expense charged to the Statement of profit and loss on account of share based payments.

44 Revenue from contract with customers

The Company derives revenue primarily from the share broking business. Its other major revenue sources are the distribution income and treasury income.

Disaggregate revenue information

- The table below presents disaggregate revenues from contracts with customers for the year ended 31 March 2019 by type of revenue segregated into its operating segments. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by market and other economic factors.

Nature of Services

Broking Income - Income from services rendered as a broker is recognised upon rendering of the services, in accordance with the terms of contract.

Distribution Income - Fees for subscription based services are received periodically but are recognised as earned on a pro-rata basis over the term of the contract. Commissions from distribution of financial products are recognised upon allotment of the securities to the applicant or as the case may be, on issue of the insurance policy to the applicant after deducting claw back amount as per the agreed terms. Commissions and fees recognised as aforesaid are exclusive of goods and service tax, securities transaction tax, stamp duties and other levies by SEBI and stock exchanges.

Notes forming part of the Financial Statements for the year ended 31 March 2019

Interest Income - Interest is earned on delayed payments from clients and amounts funded to them. Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.

2 Disaggregate revenue information: (Rs in lacs)

Particulars	31 March 2019	31 March 2018
Broking	52,598	58,875
Distribution	12,618	11,966
Interest on Loan	2,816	-
Interest income	1,655	2,564
Total	69,687	73,405

3 Nature, timing of satisfaction of the performance obligation and significant payment terms.

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

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

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

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

Interest is earned on delayed payments from clients and amounts funded to them as well as term deposits with banks. Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.

The above services are point in time in nature, and no performance obligation remains once the transaction is executed.

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

45 Movement of provisions for the year ended 31st March 2019 comprises of: (Rs in lacs)

Particulars	Opening	Addition	Deletion	Closing
Service Tax Demand	636	-	-	636
Dispute with respect to trades executed	49	1	-	50
Total	685	1	-	686

Movement of provisions for the year ended 31st March 2018 comprises of: (Rs in lacs)

Particulars	Opening	Addition	Deletion	Closing
Service Tax Demand	-	636	-	636
Dispute with respect to trades executed	49	-	-	49
Total	49	636	-	685

Movement of provisions for the year ended 1st April 2017 comprises of: (Rs in lacs)

Particulars	Opening	Addition	Deletion	Closing
Service Tax Demand	-	-	-	-
Dispute with respect to trades executed	49	-	-	49
Total	49	-	-	49

Notes forming part of the Financial Statements for the year ended 31 March 2019

46 Auditors Remuneration

(Rs in lacs)

Particulars	31 March 2019	31 March 2018
Auditor	29	18
For other services	-	-
For reimbursement of expenses	1	1
Total	30	19

47 Standards issued but not yet effective

The Company is required to adopt Ind AS 116, Leases from 1 April 2019. The Company has assessed the estimated impact that initial application of Ind AS 116 will have on its financial statements, as described below. The actual impacts of adopting the standard on 1 April 2019 may change because:

- the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases.

Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of offices (see Note 30). The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on actual basis over the term of the lease. Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of Rs 3300 lacs as at 1 April 2019.

48 Capital management

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

For the purpose of the Company's capital management, capital includes issued capital and other equity reserves. The primary objective of the Company's capital management is to maximize shareholders value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

49 Events after reporting date

There have been no events after the reporting date that require disclosure in these financial statements.

As per our report of even date.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AKEEL MASTER

Partner

Membership No. 046768

Place : Mumbai

Date : 16th April, 2019

For and on behalf of the Board of Directors of

HDFC Securities Limited

CIN Number: U67120MH2000PLC152193

DHIRAJ RELLI

Managing Director

DIN: 07151265

BHARAT SHAH

Chairman

DIN: 00136969

C. V. GANESH

Chief Financial Officer

N.E. VENKITAKRISHNAN

Company Secretary

ASHISH RATHI

Whole Time Director

DIN: 07731968

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BSE Clearing Number: 393 | MSEI Trading Member Code: 30000 | MCX Member Code: 56015
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