

ANNUAL REPORT

2017 - 2018



DIGITIZATION

>>>>>> **TO THE FORE** >>>>>>

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
Mr. S. S. Thakur

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 have the pleasure of presenting the 18th Annual Report on the business and operations of the Company, together with audited accounts for the year ended 31 March 2018.

FINANCIAL RESULTS

(Rs. in Crores)

	Year ended	Year ended
	<u>31-3-2018</u>	<u>31-3-2017</u>
Total Income	788.25	553.20
Total Expenses	248.96	209.31
Profit before depreciation	539.29	343.89
Depreciation and Amortisation	15.13	14.44
Profit before tax	524.16	329.45
Provision for tax	179.74	113.55
Profit after tax	344.42	215.90
Balance brought forward	733.74	592.37
Amount available for appropriation	1078.16	808.27
Final dividend FY 2016-17	30.97	-
Tax including surcharge and education cess on dividend	6.30	-
Interim dividend	101.09	61.93
Tax including surcharge and education cess on dividend	20.59	12.60
Balance carried over to Balance Sheet	919.21	733.74

OPERATIONS

During the year under review, the Company's total income amounted to Rs.788.25 crore, as against Rs. 553.20 crore in the previous year, an increase of 42.49%. The Company's operations have resulted in a net profit after tax of Rs. 344.42 crore, as against Rs. 215.90 crore in the previous year, an increase of

59.53%. 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 adopted a policy of rationalising the distribution network with greater emphasis on digital offerings, and by the end of the year, it had 259 branches across 171 cities in the country.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic Outlook

Output:

India's industrial production continued to record strong year- on- year growth for the fourth straight month at 7.1% in February 2018. The manufacturing sector's production surged 8.7% in February 2018, supporting overall growth in industrial production. Cumulative industrial production growth eased to 4.3% in April-February 2018, as compared to 4.7% growth in April-February 2017.

As per the Second Advance estimates released by the Central Statistical Organisation (CSO), growth of the country's Gross Domestic Product (GDP) is estimated to be 6.6% in FY 2017-18, 0.1% higher than the First Advance Estimates. The Economic Survey pegged GDP growth at 6.75% in FY 2017-18 and between 7% and 7.5% in FY 2018-19, thereby reinstating India as the world's fastest growing major economy.

The Reserve Bank of India, in its latest policy statement made on 5 April 2018, said that "Taking into account the baseline assumptions, survey indicators and model forecasts, real GDP growth is projected to improve from 6.6% in 2017-18 to 7.4% in 2018-19, with risks evenly balanced around this baseline path. For 2019-20, the structural model estimates indicate real GDP growth at 7.7%, assuming a normal monsoon and no major exogenous/policy shocks."

Going forward, economic activity is expected to gather pace in FY 2018-19, benefitting from a conducive domestic and global environment. Receding troubles relating to the implementation of the GST, recapitalisation of public sector banks, resolution of distressed assets under the Insolvency

and Bankruptcy Code, acceleration in global trade and a thrust on rural and infrastructure sectors in the Union Budget would be key drivers for growth.

Inflation:

India's retail inflation eased for a third straight month in March 2018 to 4.28% from 4.44% in the previous month, as food prices fell. Food price inflation was at 2.8% in March 2018, as compared to 3.26% in February 2018. Fuel and light inflation stood at 5.7% in March 2018, as compared to 6.8% in February 2018.

Wholesale Price Index (WPI) inflation during March 2018 softened marginally at 2.47% from 2.48% in the previous month, helped by a lower rise in prices of food and primary articles. Any upward reversal in food prices in April 2018 (due to a low base) will condition monetary policy responses in FY 2018-19.

Fiscal and the external situation:

India's trade deficit for March 2018 was estimated at US \$13.7 billion, 28.5% higher than the US \$ 10.6 billion deficit reported during March 2017. Exports during March 2018 stood at US \$ 29.1 billion compared to US \$ 29.3 billion during March 2017. Imports during March 2018 were pegged at US \$ 42.8 billion, compared to US \$ 39.9 billion in March 2017.

The cumulative value of exports for FY 2017-18 grew by 9.78% to US \$ 302.8 billion, while imports grew 19.59% to US \$ 459.6 billion. The trade deficit stood at US \$ 156.8 billion. Oil imports during FY 2017-18 were valued at US \$ 109.1 billion, 25.47% higher than oil imports of US \$ 86.9 billion in the corresponding period of the previous year. Taking merchandise and services together, the overall trade deficit for FY 2017-18 has been estimated at US \$ 87.1 billion, as compared to US \$ 47.7 billion during FY 2016-17.

India's October-December 2017 current account deficit widened to 2% of the GDP or US \$ 13.5 billion, up from 1.4% or US \$ 8 billion in the corresponding period a year ago. The widening of the current account deficit on a year-on-year basis was primarily on account of a higher trade deficit brought about by a greater increase in merchandise imports relative to exports.

The country's foreign exchange reserves hit a lifetime high of US \$ 424.8 billion, after rising by US \$ 0.5 billion in the week ended 6 April 2018, helped by a rise in foreign currency assets.

According to data released by the Department of Industrial Policy and Promotion (DIPP), foreign direct investment or FDI in India grew marginally from US \$ 35.8 billion in April-December 2016 to US \$ 35.9 billion in April-December 2017. India received maximum FDI from Mauritius, Singapore, Japan, the UK, Netherlands and the US. The main sectors that received maximum foreign inflows include services, telecommunications, computer software and hardware, construction, automobiles and trading.

Capital markets

The equity market moves and the way ahead:

The implementation of the GST and Moody's first upgrade in over a decade that helped the markets' rally, to bringing back long-term capital gains tax that spooked investors, India has witnessed an eventful twelve months starting April 2017.

India's leading equity benchmark, the Nifty 50 Index, touched fresh record levels in FY 2017-18. However, after 29 January, 2018, the day when it closed at a record high, the 50-stock index corrected nearly 10%. The Nifty 50 was among those indices across the world that posted double-digit gains in FY 2017-18 at 10.25%. Among the broader market indices, the Nifty Mid Cap, Small Cap and Nifty 500 gained 9.07%, 11.56% and 11.47% respectively. Seven of the nine sectoral gauges compiled by the National Stock Exchange advanced, led by the NSE Nifty Realty Index that gained 36.8%. The NSE Nifty Pharma Index and Nifty PSU Bank Index were the losers, down 18-20%. FY 2017-18 turned out to be a bumper year for Indian primary markets, as it witnessed an all-time high of raising equity of Rs. 1.77 lakh crore, led by Initial Public Offers (Rs. 84,357 crore, including SME IPOs) and Qualified Institutional Placements (Rs. 62,358 crore). FY 2017-18 was a great year for the Government as well as disinvestment proceeds worth Rs. 98,965 crore were garnered.

Foreign Institutional Investors (FIIs) pumped Rs. 25,635 crore into domestic equities during FY 2017-18, as against Rs. 55,703 crore in FY 2016-17. DIIs invested more than 4x of FII figures, investing a net of ~Rs 1,10,000 crore in equities, as against Rs. 51,400 crore in FY 2016-17, setting a record. This was powered by strong investments in mutual funds' equity schemes. In the debt segment, FIIs poured Rs. 1,19,036 crore in the Indian market in FY 2017-18, as against a net outflow of Rs. 7,292 crore in FY 2016-17.

In 2018, the outcome of the elections in crucial states like Karnataka, Rajasthan and Madhya Pradesh and the anticipation ahead of the general elections due in the first half of 2019 could drive equity market sentiments.

As per the India Meteorological Department (IMD), India is likely to get 97% of the 89 cm rainfall that it normally gets between June and September. Last year, it got 95% rainfall. The IMD has ruled out chances of deficient rainfall. A normal monsoon will be a good tailwind for the overall economy.

Trade protectionism remains a key risk that would negatively affect confidence, investments and jobs. The US pushed forward with plans to impose tariffs on steel and aluminium imports. Officials from China and Europe have threatened to take measures to counter the move.

In this backdrop, bilateral trade and an investment treaty between the US and China would give both countries a level playing field and may emerge as an ideal solution to the current impasse. However, in the meanwhile, it could inflict damage on the economies of other nations that would be directly or indirectly caught in the crossfire between the US and China.

As far as the impact on India is concerned, the country's exports are heavily dependent on global imports and may witness some disturbance if a trade war commences.

While FII inflows could remain erratic, influenced largely by global factors and partly by domestic valuations, factors such as increased awareness, real interest rates being positive for two years till date and market performance are all encouraging a significant flow of funds into financial assets, including

equities, moving away from gold and real estate. Financialisation and formalisation are the two themes that could play out in favour of the Stock Broking Industry over the medium term.

FIIs compare the Dollar returns likely to be earned in different markets vis-a-vis the interest rates prevailing in developed economies. With interest rates on an upswing, they need more confidence regarding the earnings of greater equity returns from different markets and stability in that market's currency vis-a-vis the US Dollar. Local investment in equities could however continue, although the growth rate may slacken a bit.

Investors may have to scale down their expectations from equities in 2018, after a great 2017.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 134(3) (a), an extract of Annual Return as provided under sub-section (3) of Section 92 is annexed herewith in Form No. MGT-9 – **Annexure I**

BOARD MEETINGS

During the year under review, six Board Meetings were held on 17 April 2017, 21 June 2017, 12 September 2017, 7 December 2017, 17 January 2018 and 8 March 2018.

Details of the attendance of the 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	4	3	4,00,000
Dr. (Mrs.) Amla Samanta	6	4	6,25,000
Mr. Aseem Dhru	3	Resigned w.e.f 26/12/2017	2,75,000
Mr. Bharat Shah	6	12	5,75,000
Mr. Dhiraj Relli	6	-	-
Mr. Jagdish Capoor	5	9	3,75,000
Mr. S.S. Thakur	6	9	6,75,000
Mr. Ashish Rathi	6	-	-

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 and the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The Board had seven Directors as on 31 March 2018. Mr. Aseem Dhru resigned as Director with effect from 26 December 2017, on receipt of the necessary approvals pursuant to the SEBI (Stock brokers and Sub brokers) Regulations, 1992. 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 two Independent Directors and 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.

Mr S.S. Thakur and Dr. (Mrs.) Amla Samanta are the Independent Directors 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 interests of the Company. These Committees monitor activities falling within their terms of reference.

The various Committees of the Board 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 six times during the year. The meetings of the Committee were held on 17 April 2017, 21 June 2017, 12 September 2017, 7 December 2017, 17 January 2018 and 8 March 2018.

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 audit process;
- c. Reviewing with the 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 & Remuneration Committee for identification and recommending 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 a balance between fixed and variable pay, reflecting short and long-term performance objectives appropriate to the working of the Company and its goals, and formulates various policies to achieve the same.

The members of the Nomination & 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 twice during the year. The meetings of the Committee were held on 17 April 2017 and 12 September 2017.

CAPEX Committee:

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

The members of the Committee are Mr Abhay Aima, Mr. Bharat Shah, Mr. Dhiraj Relli and Mr. Jagdish Capoor.

The Committee met four times during the year. The meetings of the Committee were held on 17 April 2017, 12 September 2017, 7 December 2017 and 8 March 2018.

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. Dhiraj Relli and Mr. Ashish Rathi. The Committee held one meeting during the year on 13 March 2018.

Corporate Social Responsibility (CSR) Committee:

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

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

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 four times during the year. The meetings of the Committee were held on 17 April 2017, 21 June 2017, 12 September 2017 and 7 December 2017.

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 twice during the year. The meetings of the Committee were held on 21 June 2017 and 6 November 2017.

Research Analyst Remuneration Committee:

The Research Analyst Remuneration Committee considers and approves the remuneration of

individuals employed as Research Analysts in accordance with the policy and procedures framed for regulating the Research Analysts pursuant to SEBI (Research Analyst) Regulations, 2014. The Committee consists of Mr. S. S. Thakur, Mr. Dhiraj Relli, Mr. Ashish Rathi and Ms. Reynu B. Bhat. The Committee met twice during the year on 17 April 2017 and 12 September 2017.

General Body Meetings

(During the previous three financial years)

Meeting	Date and Time	Venue	No. of Special Resolutions passed
17th AGM	21 June, 2017 at 11.30 AM	HDFC Bank House, 5th 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
15th AGM	12 June, 2015 at 11.30 AM	HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	3 (three)

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors hereby state that:

- In the preparation of annual accounts, the applicable accounting standards have been followed, along with proper explanations relating to material departures;
- We have selected such accounting policies, applied them consistently and 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 on 31 March, 2018 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 such internal financial controls are adequate and operating effectively;
6. We have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are 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 the business of the Company.

DECLARATION BY INDEPENDENT DIRECTORS

Mr. S.S. Thakur and Dr. (Mrs.) Amla Samanta have given a declaration stating that they meet 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 as 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. Independent Directors, at a separate meeting held on 7 December 2017, have also reviewed and evaluated the performance of the Non-Independent Directors and the entire Board.

AUDIT QUALIFICATIONS

During the year under review, there has been no audit qualification, reservation, adverse remark or disclaimer in the Company's financial statements by the Auditor or the Company Secretary in practice in the Secretarial Audit Report. The Company continues to adopt best practices to ensure a 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 or guarantees pursuant to Section 186 of the Companies Act, 2013. 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 11 & 14 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 are annexed herewith in Form AOC-2 – **Annexure II**

RISK MANAGEMENT POLICY

The Company has a robust risk management policy, wherein 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 strategies, 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 functions is responsible for the assessment, monitoring and reporting of risks. Material operational risk losses are examined thoroughly to identify areas of risk exposures and gaps in controls, based on 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 the underprivileged and marginalised sections of society. It has been the Company's endeavour to put an increased emphasis on social goodwill beneficial to society, thus making a difference in the livelihood of people. Pursuant to Section 135 of the Companies Act, 2013, a brief outline on the CSR Policy and the CSR Activities/Initiatives taken by the Company is enclosed in **Annexure III**.

DIVIDEND

During the financial year under review, the Board of Directors have declared an Interim dividend of Rs. 65/- per equity share (i.e. @ 650 %) for the year ended 31 March 2018. This dividend has been paid to the shareholders and the necessary dividend distribution tax has been deposited by the Company.

Your directors recommend the payment of a final dividend of Rs. 45/- per equity share (i.e. @450%) for the year ended 31 March 2018. The total dividend for the year is Rs. 110/- per equity share, as against a total dividend of Rs. 60/- per share for the previous year.

AWARDS AND RECOGNITION

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

- i) Best Broker Award- ASSOCHAM Capital Market Intermediaries Excellence Award
- ii) Outlook Money 2017-Best Retail Broker
- iii) Best Performing Retail Member-Pan India-NSE Market Achiever's Award
- iv) First Rank in NPS Best POP Corporate Subscriber Registration and Second Rank in NPS Best POP All Citizen Subscriber Registration (Non Banks) from PFRDA
- v) BSE Top Volume Performer in Equity Retail, OFS, SGB, OTB and MFI segments
- vi) Express Computers BFSI-Digital Innovation Award for Enterprise Applications
- vii) PFRDA NPS Campaigns-First Rank in NPS for Prosperity-1, First Rank in Turn the Tables and the Second Rank in NPS for Prosperity-II in the Non Banks category.

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 the 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. 24.3 of the financial statements.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Abhay Aima and Mr. Jagdish Capoor retire by rotation at the ensuing Annual General Meeting, and are eligible for re-appointment.

During the year under review, Mr. Aseem Dhru resigned as a Director w.e.f 26 December 2017 on the receipt of necessary approvals pursuant to SEBI (Stock brokers and Sub-brokers) Regulations, 1992. Your Directors wish to place on record their sincere appreciation of the services rendered by Mr. Aseem Dhru as Director of the Company.

The Board of Directors at its meeting held on 16 April 2018 re-appointed Mr. Dhiraj Relli as Managing Director of the Company for a period of 3 years from 1 May 2018 to 30 April 2021. The re-appointment is subject to the approval of the members at the ensuing Annual General Meeting.

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 previous year 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 32.

PUBLIC DEPOSITS

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 IV** enclosed.

AUDITORS

M/s B S R & Co. LLP, Chartered Accountants, Statutory Auditors of the Company, will retire at the conclusion of the forthcoming Annual General Meeting. It is proposed to appoint M/s. B S R & Co., LLP, Chartered Accountants, Registration No. 101248W/W-100022 as Statutory Auditors of the Company for a period of five consecutive years from the conclusion of the ensuing Annual General Meeting until the conclusion of the 23rd Annual General Meeting on a remuneration as

may be fixed by the Board of Directors, subject to the approval of the members.

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 2017-18. The report of the Secretarial Auditors is enclosed in Form MR-3 to this Report - **Annexure V**.

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 2018

Bharat Shah
Chairman

**FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN**

as on the financial year ended on 31 March 2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

- (i) CIN : **U67120MH2000PLC152193**
- (ii) Registration Date : **17 April 2000**
- (iii) Name of the Company : **HDFC Securities Limited**
- (iv) Category/Sub-Category of the Company : **Company Limited by shares**
- (v) Address of the Registered office and contact details: : **Office Floor 8, I Think Techno Campus Building B - Alpha, Kanjurmarg (East), Mumbai 400042. Tel : 022-61717330.**
- (vi) Whether listed company : **No**
- (vii) Name, Address and Contact details of Registrar and Transfer Agent, if any : **Datamatics Business Solutions Limited, Plot No. B-5, MIDC, Marol, Andheri (East), Mumbai 400093.**

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1.	Stock Broking and related products	67120	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name And Address Of The Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	HDFC Bank Limited	L65920MH1994PLC080618	Holding Company	97.67	Section 2

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks/FI	1,51,60,295	-	1,51,60,295	97.91	1,51,90,044	-	1,51,90,044	97.67	(0.24)
f) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A) (1):-	1,51,60,295	-	1,51,60,295	97.91	1,51,90,044	-	1,51,90,044	97.67	(0.24)

(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-
(A)=(A)(1)+(A)(2)	1,51,60,295	-	1,51,60,295	97.91	1,51,90,044	-	1,51,90,044	97.67	(0.24)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B) (1):-									
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	-	-	-	-	1314	-	1314	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	1,70,431	62,524	2,32,955	1.51	2,01,327	15,565	2,16,892	1.40	(0.11)
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	89,875	0	89,735	0.58	91,675	0	91,675	0.59	0.01
c) Others (specify)									
(i) NRI Non –Rept	-	-	-	-	13,250	0	13,250	0.08	0.08
(ii) HDB Employees Welfare Trust	-	-	-	-	40,500	0	40,500	0.26	0.26
Sub-total (B)(2):-	2,60,306	62,524	3,22,830	2.09	3,47,066	15,565	3,62,631	2.33	0.24
Total Public Shareholding (B)=(B)(1)+(B)(2)	2,60,306	62,524	3,22,830	2.09	3,47,066	15,565	3,62,631	2.33	0.24
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	1,54,20,601	62,524	1,54,83,125	100.00	15,537,110	15,565	1,55,52,675	100.00	-

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
1.	HDFC Bank Limited	1,51,60,295	97.91	Nil	1,51,90,044	97.67	Nil	(0.24)

(iii) *Change in Promoters' Shareholding (please specify, if there is no change)*

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	1,51,60,295	97.91		
	Increase due to transfers	-	-		
	24 Nov 2017	3,040	0.02	1,51,63,335	97.93
	8 Dec 2017	16,950	0.11	1,51,80,285	98.04
	29 Dec 2017	9,750	0.06	1,51,90,035	98.10
	2 Feb 2018	9	-	1,51,90,044	98.10
	Dilution in holding due to allotment of 69,550 shares to non promoters (employees pursuant to exercise of stock options) on 13/3/2018	-	-	1,51,90,044	97.67
	At the end of the year			1,51,90,044	97.67

(iv) *Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):*

Sl. No.	Name	Remarks	Date***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	HDB Employees Welfare Trust	At the beginning of the Year	31-MAR-2017	0	0.00		
		Increase	16-FEB-2018	40500	0.26	40500	0.26
		At the END of the Year	31-MAR-2018			40500	0.26
2	Adil F Patrawala	At the beginning of the Year	31-MAR-2017	33750	0.22		
		Decrease	05-JAN-2018	(1500)	0.01	32250	0.21
		Decrease	26-JAN-2018	(500)	0.00	31750	0.21
		Decrease	09-FEB-2018	(500)	0.00	31250	0.21
		At the END of the Year	31-MAR-2018			31250	0.21
3	Sanju Verma	At the beginning of the Year	31-MAR-2017	18750	0.12		
		At the END of the Year	31-MAR-2018			18750	0.12
4	Chatapuram Venkatraman Ganesh	At the beginning of the Year	31-MAR-2017	12500	0.08		
		Increase	21-MAR-2018	3300	0.02	15800	0.10
		At the END of the Year	31-MAR-2018			15800	0.10
5	Kamala Sundaram	At the beginning of the Year	31-MAR-2017	12875	0.08		
		At the END of the Year	31-MAR-2018			12875	0.08
6	Siddhartha M Khiraiya	At the beginning of the Year	31-MAR-2017	12000	0.08		
		At the END of the Year	31-MAR-2018			12000	0.08
7	Sudhir Moreshwar Joshi	At the beginning of the Year	31-MAR-2017	10000	0.06		
		At the END of the Year	31-MAR-2018			10000	0.06
8	Manish Dabir	At the beginning of the Year	31-MAR-2017	10000	0.06		
		At the END of the Year	31-MAR-2018			10000	0.06
9	Iyer Balakrishnan Venkatraman	At the beginning of the Year	31-MAR-2017	8700	0.05		
		At the END of the Year	31-MAR-2018			8700	0.05
10	Sashi Jagdishan	At the beginning of the Year	31-MAR-2017	7000	0.04		
		At the END of the Year	31-MAR-2018			7000	0.04

(v) **Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year				
1	C.V. Ganesh	12,500	0.08		
2	Jagdish Capoor	1	-		
3	S.S. Thakur	4	-		
4	Ashish Rathi	100	-		
	Total	12,605	0.08		
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):				
	<u>Allotment-13/3/2018</u>				
1	C.V.Ganesh	3,300	0.02	15,800	0.10
2	Ashish Rathi	2,250	0.01	2,350	0.01
	<u>Transfer-2/2/2018</u>				
3	S.S.Thakur	(4)	-	-	-
	Total	5,546	0.03		
	At the End of the year				
1	C.V. Ganesh			15,800	0.10
2	Jagdish Capoor			1	-
3	S.S. Thakur			-	-
4	Ashish Rathi			2,350	0.01
	Total			18,151	0.11

V. **INDEBTEDNESS****Indebtedness of the Company including interest outstanding/accrued but not due for payment**

	Secured Loans excluding deposits	Unsecured Loans	Deposit	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	Nil	Nil	Nil	Nil
(ii) Interest due but not paid	Nil	Nil	Nil	Nil
(iii) Interest accrued but not due	Nil	Nil	Nil	Nil
Total (i+ii+iii)	Nil	Nil	Nil	Nil
Change in Indebtedness during the financial year				
• Addition	Nil	Nil	Nil	Nil
• Reduction	Nil	Nil	Nil	Nil
Net Change	Nil	Nil	Nil	Nil
Indebtedness at the end of the financial year				
(i) Principal Amount	Nil	Nil	Nil	Nil
(ii) Interest due but not paid	Nil	Nil	Nil	Nil
(iii) Interest accrued but not due	Nil	Nil	Nil	Nil
Total (i+ii+iii)	Nil	Nil	Nil	Nil

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. Remuneration to Managing Director, Whole-time Directors and/or Manager: (Rs. in lacs)

Sl. No.	Particulars of Remuneration	Name of the MD/WTD/ Manager		Total Amount
		Dhiraj Relli*	Ashish Rathi	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	149.52	66.20	215.72
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	21.63	4.34	25.97
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Options	-	82.84#	82.84#
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others, specify	-	-	-
5.	Others, please specify			
	- Provident Fund	3.58	1.41	4.99
	- Superannuation	3.87	-	3.87
	Total (A)	178.60	71.95	250.55
	Ceiling as per Act	Rs.5,272 lacs (being 10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)		

* The remuneration of Mr. Dhiraj Relli, Managing Director is by way of Secondment Charges re-imbursed by the Company.

Indicates perquisite value of stock options exercised during the year, which is not included in total remuneration.

B. Remuneration to other directors: (Rs. in lacs)

Sl. No.	Particulars of Remuneration	Name of the Directors				Total Amount
		S.S. Thakur	Amla Samanta			
1.	Independent Directors					
	• Fee for attending board/committee meetings	6.75	6.25			13.00
	• Commission	-	-			-
	• Others, please specify	-	-			-
	Total (1)	6.75	6.25			13.00
		Bharat Shah	Abhay Aima	Jagdish Capoor	Aseem Dhru	
2.	Other Non-Executive Directors					
	• Fee for attending board/committee meetings	5.75	4.00	3.75	2.75	16.25
	• Commission	-	-	-	-	-
	• Others, please specify					
	Remuneration	20.00	-	-	-	20.00
	Value of Perquisites	7.63	-	-	-	7.63
	Total (2)	33.38	4.00	3.75	2.75	43.88
	Total (B)=(1+2)					56.88
	Total Managerial Remuneration					307.43
	Overall Ceiling as per the Act	Rs.5,800 lacs (being 11% of the Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013)				

C. Remuneration to key managerial personnel other than MD/MANAGER/WTD

(Rs. in lacs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary*	CFO	Total
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	N.A.	31.15	112.70	143.85
	(b) Value of perquisites u/s 17(2) of Income Tax Act, 1961		4.33	5.53	9.86
	(c) Profits in lieu of salary under section 17(3) of Income Tax Act, 1961		-	-	-
2.	Stock Option #	-	-	121.51#	121.51#
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others, specify	-	-	-	-
5.	Others, please specify				
	- Provident Fund	-	1.35	2.51	3.86
	- Superannuation Fund	-	0.92	-	0.92
	Total	-	37.75	120.74	158.49

* Includes remuneration from 1/4/2017 to 31/10/2017 by way of secondment charges re-imbursed by the Company.

Indicates perquisite value of stock options exercised during the year, which is not included in total remuneration.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/ NCLT/COURT]	Appeal made, if any (give details)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty			NIL		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

On behalf of the Board of Directors

Place: Mumbai.

Date: 16 April 2018

Bharat Shah
Chairman

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.26).
(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.26
(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 2018

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. 260.36 crore

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

Rs. 5.21 crore

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

- a) Total amount spent for the financial year 2017-18 - **Rs. 5.21 crore**

This includes the total amount committed and disbursed during the year across various CSR Projects identified by the Company through implementing agencies

- (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.	Water and Sanitation project for villages and schools	Health & Sanitation	Maharashtra	1,10,00,000	1,10,00,000	1,10,00,000	Implementing Agency
2.	Sanitation and Smart Classrooms for schools	Promotion of Education & Sanitation	Maharashtra	90,60,000	90,60,000	90,60,000	Implementing Agency
3.	Renovation / Setting up of Sadans and educational sponsorship for women and orphans	Setting up homes and hostels for women and orphans and Promotion of Education	Maharashtra	1,12,95,000	1,12,95,000	1,12,95,000	Implementing Agency

4.	Sponsorship of scholarship for students, setting up of classrooms and purchase of 1 School Bus.	Promotion of Education	Tamilnadu	80,10,000	80,10,000	80,10,000	Implementing Agency
5.	Providing financial support, medicines and check up for patients undergoing medical treatment	Preventive & curative healthcare	Maharashtra	52,00,000	52,00,000	52,00,000	Implementing Agency
6.	Purchase of vehicles to transport meals	Eradicating Hunger	Gujarat	50,59,758	50,59,758	50,59,758	Implementing Agency
7.	Purchase of Mobile van for cancer screening	Preventive & curative healthcare	Maharashtra	18,40,363	18,40,363	18,40,363	Implementing Agency
8.	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 and Indian Cancer Society.

- d) In addition to the above, dividend of Rs.6.46 lacs (Previous Year-Nil) earned by the Company on investment in a Mutual Fund Scheme titled “HDFC Charity for Cancer Cure Direct-Arbitrage” has been applied by the Fund for expenditure on approved CSR Activities as per the terms and conditions of the investment.

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 profits of the last three financial years as a part of its CSR implementing programmes in FY 2017-18 as against a spend of 1.71% in FY 2016-17.

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

Place: Mumbai
Date: 16 April 2018

Dhiraj Relli
Managing Director

Bharat Shah
Chairman

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)	48	Managing Director	1 May 2015	1,78,60,084	23	HDFC Bank Ltd.
2) Mr.Siddharth Shah B.Com	58	Head -Branch Dealing	1 June 2010	1,48,47,893	37	HDFC Bank Ltd
3) Mr. C.V. Ganesh B.Com, CA, CWA	46	Chief Operating Officer	2 May 2008	1,20,73,595	24	Citi Technology Services Ltd.
4) Mr. Deepak Jasani B.Com, LL.B, FCA, CFA	54	Head-Retail Research	7 April 2004	1,00,74,522	23	Kaji & Maulik Services Ltd.
5) Mr.Vinod Sharma B.Com, MBA	56	Head-Private Client Group	30 October 2009	88,94,021	33	Anagram Securities Limited
6) Mr.Dipen Sheth B Tech (IIT), PGDBM (IIM)	51	Head-Institutional Research	12 April 2012	80,13,692	26	Edelweiss Securities
7) Ms.Reynu B Bhat B.Sc.	54	Head-Human Resources	15 January 2004	78,58,722	23	Microwave Communication Limited
8) Mr.Uday Singh B.Com, MBA	44	Head - Special Desk, Call centre operations	21 December 2005	78,09,806	22	ICICI Prudential Life Insurance Company Ltd.
9) Mr. Ashish Rathi B.Com, ACA	38	Head-Risk & Compliance	1 September 2003	71,95,396	16	Rafaga Info Knowledge
10) Mr.S.Sambath Kumar B.Com	42	Head of Equity, Third Party Product and NPS	12 January 2015	70,02,534	19	Reliance Capital

\$ 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 2018**

**Bharat Shah
Chairman**

Form No. MR-3
SECRETARIAL AUDIT REPORT
For the financial year ended March 31, 2018

[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, 2018 (‘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, 2018 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.

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 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. Dissenting views by the Directors/ members have been duly recorded in the minutes.

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 69,550 equity shares of the company to its 94 employees at a price of Rs.1136/- per share under The Employees Stock Option Scheme- II (ESOS-II) of the company

For BNP & Associates
Company Secretaries

B. Narasimhan
Partner

Place: Mumbai
Date: 16 April 2018

FCS No. 1303 / COP No. 10440

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 2018**

B. Narasimhan
Partner
FCS No. 1303 / COP No. 10440

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HDFC SECURITIES LIMITED

Report on the financial statements

We have audited the accompanying financial statements of HDFC Securities Limited (the "Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards 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 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 is 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We are also responsible to 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 the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

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 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 2018, and its profits and its cash flows for the year ended on that date.

Other matter

The comparative financial information of the Company for the year ended 31 March 2017 as included in these financial statements have been audited by the predecessor auditor who had audited the financial statements for the year ended 31 March 2017. The report of the predecessor auditor on the comparative financial information dated 17 April 2017 expressed an unmodified opinion. Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

As required by the Companies (Auditor's Report) Order, 2016 (the "Order") issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.

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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid financial statements comply with the 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 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
- f) With respect to the adequacy of the internal financial controls with reference to the financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- 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 on its financial position in its financial statements – refer note 24.1 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; and
 - iii. there are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company; and
 - iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018.

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

Place : Mumbai
Date : 16 April 2018

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 complied with the provisions sections 185 and 186 of the Act in respect of loans, investments, guarantees and security, as applicable.
- (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, 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 2018.

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 2018 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	6	Assessment Year 2007-08	Assessing officer
Income Tax Act, 1961	Income Tax	3	Assessment Year 2008-09	Assessing officer
Income Tax Act, 1961	Income Tax	93	Assessment Year 2011-12	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	65	Assessment Year 2014-15	Commissioner of Income Tax (Appeal)
Finance Act, 1994	Service Tax	4	Financial Years 2004-05 and 2005-06	Commissioner of Central Excise (Appeal)
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 **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248 W/W-100022

Place : Mumbai
Date : 16 April 2018

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 2018 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 deemed to be 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 2018, 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 **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248 W/W-100022

Place : Mumbai
Date : 16 April 2018

Akeel Master
Partner
Membership No: 046768

Balance Sheet as at 31 March 2018

(Rs. in laacs)

Particulars	Note No.	As at 31 March 2018	As at 31 March 2017
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	1,555	1,548
(b) Reserves and surplus	4	98,524	79,193
		<u>100,079</u>	<u>80,741</u>
2 Non-current liabilities			
(a) Other long term liabilities	5	280	325
(b) Long-term provisions	6	(5)	288
		<u>275</u>	<u>613</u>
3 Current liabilities			
(a) Trade payables	7	51,573	45,102
(b) Other current liabilities			
(i) total outstanding dues of micro enterprises and small enterprises	8	3	2
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	8	11,052	10,981
(c) Short-term provisions	9	798	584
		<u>63,426</u>	<u>56,669</u>
TOTAL		<u>163,780</u>	<u>138,023</u>
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible Assets	10	5,389	4,916
(ii) Intangible Assets	10	1,247	784
(iii) Capital Work-in-Progress		353	64
(iv) Intangible assets under development		394	324
		<u>7,383</u>	<u>6,088</u>
(b) Non-current investments	11	2,084	1,084
(c) Deferred tax assets (Net)	29	238	127
(d) Long-term loans and advances	12	2,638	1,442
(e) Other non-current assets	13	53	4,042
		<u>5,013</u>	<u>6,695</u>
2 Current assets			
(a) Current investments	14	72,311	29,777
(b) Trade receivables	15	41,982	35,307
(c) Cash & Bank balance	16	35,589	58,603
(d) Short-term loans and advances	17	731	512
(e) Other current assets	18	771	1,041
		<u>151,384</u>	<u>125,240</u>
TOTAL		<u>163,780</u>	<u>138,023</u>

The accompanying notes form an integral part of this financial statements (1 to 37)

In terms of our report attached

For **BSR & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

AKEEL MASTER

Partner

Membership No. 046768

Place : Mumbai

Date : 16th April, 2018

For and on behalf of the Board of Directors

DHIRAJ RELI

Managing Director

BHARAT SHAH

Chairman

C. V. GANESH

Chief Financial Officer

N.E. VENKITAKRISHNAN

Company Secretary

ASHISH RATHI

Whole Time Director

Statement of Profit and Loss for the year ended 31 March 2018

		(Rs. in laacs)	
Particulars	Note No.	Year ended 31 March 2018	Year ended 31 March 2017
I. Revenue from operations	19	76,926	53,965
II. Other income	20	1,899	1,355
III. Total Revenue (I + II)		78,825	55,320
IV. Expenses:			
Employee benefits expense	21	14,371	12,217
Finance costs	22	1	0 *
Depreciation and amortisation expense	10	1,513	1,444
Other expenses	23	10,524	8,714
Total expenses		26,409	22,375
V. Profit before tax (III - IV)		52,416	32,945
VI. Tax expense:			
(1) Current tax expense for current year		18,086	11,350
(2) Short / (Excess) provision for tax relating to prior years		-	119
(3) Deferred tax	29	(112)	(114)
		17,974	11,355
VII. Profit for the year (V - VI)		34,442	21,590
VIII. Earnings per equity share: (Face Value - Rs 10 per share)			
Basic (Rs. Earning per share)	28	222.40	139.45
Diluted (Rs. Earning per share)	28	221.84	139.45

The accompanying notes form an integral part of this financial statements (1 to 37)

* less than Rs. 50,000/-

In terms of our report attached
For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Partner
Membership No. 046768

Place : Mumbai
Date : 16th April, 2018

For and on behalf of the Board of Directors
DHIRAJ RELLI **BHARAT SHAH**
Managing Director Chairman

C. V. GANESH **N.E. VENKITAKRISHNAN** **ASHISH RATHI**
Chief Financial Officer Company Secretary Whole Time Director

Cash Flow Statement for the year ended 31 March 2018

Particulars	(Rs. in laacs)	
	Year ended 31 March 2018	Year ended 31 March 2017
(A) Cash flows from Operating activities :		
Net Profit before taxation	52,416	32,945
Adjustments for :		
Depreciation / Amortization	1,513	1,444
Interest Paid*	1	0*
Interest on non current investments	(8)	(8)
Dividend from current investments	(54)	(127)
Dividend from non current investments	(18)	(8)
Rental Income	(175)	(175)
Net gain on sale of current investments	(278)	(44)
Net gain on sale of non current investments	(1,356)	(989)
Loss On Fixed Asset Written Off	68	-
Loss on sale of fixed assets (Net)	4	1
Provision for Doubtful Debts	2	38
Provision for Diminution in Value of Current Investment	7	-
Operating profit before working capital changes	52,122	33,077
Adjustments for changes in :		
Increase / (Decrease) in Other long term liabilities	(45)	(29)
Increase / (Decrease) in Other long term provisions	(293)	119
Increase / (Decrease) in Trade payables	6,471	5,483
Increase / (Decrease) in Other current liabilities	88	12,692
Increase / (Decrease) in Short-term provisions	215	40
(Increase) / Decrease in Long term loans and advances	(1,009)	746
(Increase) / Decrease in Other Non current assets	3,989	9,966
(Increase) / Decrease in Trade Receivables	(6,677)	(50)
(Increase) / Decrease in Fixed Deposit (with maturity of more than 3 months)	17,506	1,411
(Increase) / Decrease in Short term loans and advances	(219)	(5,707)
(Increase) / Decrease in Other current assets	270	(656)
Cash generated from Operations	72,418	57,092
Income Tax Paid (Net of refund)	(18,274)	(11,299)
Net Cash generated from Operating activities	54,144	45,793
(B) Cash flows from Investing activities :		
Purchase of Fixed Assets	(2,550)	(1,807)
Sale of Fixed Assets	27	36
(Increase) / Decrease in CWIP	(359)	54
Purchase of Non current investment	(2,000)	-
Purchase of current investment	(47,158)	(23,907)
Sale of investment	7,252	9,058

Cash Flow Statement for the year ended 31 March 2018
(Rs. in lacs)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
(B) Cash flows from Investing activities : (cont.)		
Interest on non current investments	8	8
Dividend from current investments	54	127
Dividend from non current investments	18	8
Rental Income	175	175
Net Cash used in Investing activities	<u>(44,533)</u>	<u>(16,249)</u>
(C) Cash flows from Financing activities :		
Dividend Paid (including dividend tax)	(15,911)	(7,466)
Interest paid others*	(1)	0
Money received on exercise of stock options by employees	791	-
Net Cash generated from Financing activities	<u>(15,121)</u>	<u>(7,466)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(5,510)</u>	<u>22,078</u>
Cash and cash equivalents at the beginning of the year comprises of	37,213	15,135
(i) Imprest Cash *	0	
(ii) Balances with Banks		
- On current accounts	18,987	12,935
- On deposit accounts (with original maturity of 3 months or less)	18,226	2,200
Cash and cash equivalents at the end of the year comprises of		
(i) Imprest Cash *	-	0
(ii) Balances with Banks		
- On current accounts	26,506	18,987
- On deposit accounts (with original maturity of 3 months or less)	5,199	18,226
Total	<u>31,705</u>	<u>37,213</u>

* less than Rs. 50,000/-

The accompanying notes form an integral part of this financial statements (1 to 37)

In terms of our report attached
For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Partner
Membership No. 046768

Place : Mumbai
Date : 16th April, 2018

For and on behalf of the Board of Directors
DHIRAJ RELLI **BHARAT SHAH**
Managing Director Chairman

C. V. GANESH **N.E. VENKITAKRISHNAN** **ASHISH RATHI**
Chief Financial Officer Company Secretary Whole Time Director

Notes forming part of the Financial Statements

Note 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 comprise several classes of services including agency transactions, subscription based services and distribution of financial products.

Note 2: Significant Accounting Policies

2.1. Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India (“Indian GAAP”) under the historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 and the relevant provisions of the Companies Act, 2013 (“the 2013 Act”). The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

Assets and liabilities have been classified as Current or Non-Current on the basis of the Company’s normal operating cycle and other criteria set out in Schedule III to the Act.

2.2. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and differences between actual results and estimates are recognised in the periods in which the results are known/materialise.

2.3. Revenue recognition

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.

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.

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

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.

Dividend income is recognised when the right to receive the dividend is established.

2.4. Tangible assets

Tangible assets 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. Subsequent expenditure related to an item of fixed asset are added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

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

Gains or losses arising from disposal or retirement of tangible fixed assets 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 fixed assets which are not yet ready for their intended use. Such assets are carried at cost comprising direct cost and related incidental expenses.

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 tangible fixed assets 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 assets, 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
Vehicles	4 years
Network & Servers	4 years

All tangible assets 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.

2.5. Intangible assets

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. 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.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each reporting date. If the expected useful life of the asset is significantly different from previous estimates, 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 licenses	5 years
Electronic trading platform (Website)	5 years
Bombay Stock Exchange Card	10 years

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

2.6. Impairment

Assessment is done at each Balance Sheet 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 Balance Sheet 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.

2.7. Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost

or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.8. Employee benefits

i) Short term

Short term employee benefits include salaries and performance incentives. 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 informal 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) Long term

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal 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.

Defined-benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the balance sheet date by an independent actuary in a manner that distributes expenses over the employee's working life. 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 with a remaining term that is almost equivalent to the average balance working period of employees. 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.

Actuarial losses or gains are recognised in the Statement of Profit and Loss in the year in which they arise.

iii) 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.

iv) Share-based payment transactions

Equity settled stock options granted under the Company's Employee Stock Option Schemes are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option being excess of fair value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion.

2.9. Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's Balance Sheet. Lease expenses on such operating leases are recognised in the Statement of Profit and Loss on a straight line basis over the lease term. Initial direct costs are recognised as an expense in the Statement of Profit and Loss in the period in which they are incurred.

2.10. 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 timing 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 that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

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.

2.11. 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 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.

2.12. Cash and Bank Balance

In the Cash Flow Statement, cash and cash equivalents include cash in hand, demand deposits and short term 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.

2.13. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the year. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares (other than the conversion of potential equity shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares. Potential equity shares are deemed dilutive only if their conversion into equity shares would decrease the net per share from continuing ordinary operations. Potential equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares).

2.14. Foreign Currency Transaction

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognized in the Statement of Profit and Loss Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the Statement of Profit and Loss and related assets and liabilities are accordingly restated in the balance sheet.

Notes forming part of the Financial Statements

Note 3: 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 2018		As at 31 March 2017	
	Number	Amount	Number	Amount
Authorised				
Equity Shares of Rs. 10 each	20,000,000	2,000	20,000,000	2,000
Issued, Subscribed & Paid-up				
Equity Shares of Rs. 10 each fully paid up	15,552,675	1,555	15,483,125	1,548
Total	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 2018		As at 31 March 2017	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the period	15,483,125	1,548	15,483,125	1,548
Shares issued under ESOP during the period	69,550	7	-	-
Shares outstanding at the end of the period	15,552,675	1,555	15,483,125	1,548

(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 2018		As at 31 March 2017	
	Number	Amount	Number	Amount
Equity Shares held by HDFC Bank Ltd., the Holding Company	15,190,044	1,519	15,160,295	1,516
Total	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

Name of Shareholder	As at 31 March 2018		As at 31 March 2017	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
HDFC Bank Limited	15,190,044	97.67%	15,160,295	97.91%

(v) Shares reserved for issue under options

For details of shares reserved for issue under the Employee stock option plan, please refer Note no. 32 of Notes forming part of the Financial Statements

Notes forming part of the Financial Statements

Note 4: Reserves and Surplus

(Rs. in lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
a. Securities Premium Account		
Balance as at the beginning of the year	3,319	3,319
Additions during the year	784	-
Balance as at the end of the year	4,103	3,319
b. Surplus in the Statement of Profit and Loss		
Balance as at the beginning of the year	73,374	59,237
Add: Net Profit for the year	34,442	21,590
Less: Appropriations (Refer Note 35)		
Final Dividends *	(3,097)	-
Dividend distribution tax on final dividend on equity shares	(630)	-
Interim Dividends **	(10,109)	(6,193)
Dividend distribution tax on interim dividend on equity shares	(2,059)	(1,260)
Balance as at the end of the year	91,921	73,374
c. General Reserve Account		
Balance as at the beginning of the year	2,500	2,500
Additions during the year	-	-
Balance as at the end of the year	2,500	2,500
Total	98,524	79,193

* The Company has paid the final dividend for FY1617 of Rs 20 per share.

** The Company has paid the interim dividend of Rs. 65 per share. (Interim dividend during previous year was Rs 40 per share)

Note 5: Other Long Term Liabilities

Operating lease obligation	204	249
Trade and security deposits received	76	76
Total	280	325

Note 6: Long-Term Provisions

Provision for employee benefits

Provision for gratuity (refer note 25)	(5)	288
Total	(5)	288

Note 7: Trade Payables

Payable to Exchanges	3	1
Payable to Clients	51,570	45,101
Total	51,573	45,102

Note 8: Other Current Liabilities

(a) Dues to Micro and Small Enterprises	3	2
(b) Dues to entities other than Micro and Small Enterprises	72	45
(c) Income received in advance for services to be rendered	1,271	975
(d) Unpaid dividends	-	16
(e) Other payables		
Accrued payroll & employee benefits	4,307	3,425
Accrued Expenses	3,119	2,650
Statutory Dues including Tax deducted at Source and Provident Fund (Net-off GST receivable CY Rs. 431 lacs, PY Nil)	2,114	3,720
Operating lease obligation	6	31
Liabilities for capital goods	163	119
Total	11,055	10,983

Notes forming part of the Financial Statements

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 2018	As at 31 March 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	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	1
(e) The amount of interest accrued during the year and remaining unpaid at the end of the accounting year	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	-	-

Note 9: Short-Term Provisions

(Rs.in lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
(a) Provision for employee benefits		
Compensated absences	505	290
(b) Others		
Provision For Contingencies	49	49
Provision For Taxation [Net of advance tax Rs. 20,671 lacs (March 31, 2017 Rs. 20,671 lacs)]	243	244
Provision for Fringe Benefit Tax (Net)	1	1
Total	<u>798</u>	<u>584</u>

Footnote:

Provision for contingencies

	Legal and Statutory matters	
	As at 31 March 2018	As at 31 March 2017
Opening Balance	49	49
Addition/(Deletion)	-	-
Closing Balance	49	49

The above matters are under litigation / negotiation and the timing of the cash flows cannot be currently determined.

Fixed Assets for current year	Tangible Assets										Intangible Assets (Other than Internally generated)				TOTAL
	Leasehold Imp. in Buildings on op. lease	Office Premises	Electricals	Furniture & Fixtures	Vehicles	Office Equipments	Computer Hardware, Networks & Servers	Total Tangible Assets	Bombay Stock Exchange Card	Computer software	Electronic trading platform (Website)	Total Intangible Assets			
As at 01-04-2017	1,687	2,726	36	227	406	937	4,829	10,848	288	3,182	164	3,634	14,482		
Additions during the year	473	-	-	47	204	136	763	1,623	-	859	-	859	2,482		
Deletions/ Adjustments during the year	35	-	-	8	93	20	351	507	-	-	-	-	507		
Gross Block	2,125	2,726	36	266	517	1,053	5,241	11,963	288	4,041	164	4,493	16,456		
As at 01-04-2017	963	202	12	156	168	746	3,687	5,934	288	2,404	158	2,850	8,784		
Charge for the year	212	46	4	42	111	93	608	1,116	-	394	4	397	1,513		
Deletions during the year	25	-	-	7	73	19	352	476	-	-	-	-	476		
Accumulated Depreciation	1,150	248	16	191	206	820	3,943	6,574	288	2,796	162	3,246	9,820		
As at 31-03-2018	724	2,524	24	71	238	191	1,144	4,916	-	778	6	784	5,700		
As at 01-04-2017	975	2,478	20	75	311	233	1,298	5,389	-	1,245	2	1,247	6,636		
Net Block															

Fixed Assets for previous year	Tangible Assets										Intangible Assets (Other than Internally generated)				TOTAL
	Leasehold Imp. in Buildings on op. lease	Office Premises	Electricals	Furniture & Fixtures	Vehicles	Office Equipments	Computer Hardware, Networks & Servers	Total Tangible Assets	Bombay Stock Exchange Card	Computer software	Electronic trading platform (Website)	Total Intangible Assets			
As at 01-04-2016	1,523	2,726	36	222	376	926	4,351	10,160	288	2,678	164	3,130	13,290		
Additions during the year	164	-	-	17	155	63	904	1,303	-	504	-	504	1,807		
Deletions/ Adjustments during the year	-	-	-	12	125	52	426	615	-	-	-	-	615		
Gross Block	1,687	2,726	36	227	406	937	4,829	10,848	288	3,182	164	3,634	14,483		
As at 01-04-2016	797	157	8	144	165	724	3,395	5,388	288	2,090	151	2,529	7,917		
Charge for the year	166	45	4	21	96	73	717	1,122	-	314	7	321	1,444		
On deletions during the year	-	-	-	9	93	51	425	578	-	-	-	-	578		
Accumulated Depreciation	963	202	12	156	168	746	3,687	5,934	288	2,404	158	2,850	8,785		
As at 31-03-2017	726	2,568	28	78	211	201	957	4,772	-	588	13	601	5,373		
As at 01-04-2016	724	2,524	24	71	238	191	1,144	4,916	-	778	6	784	5,700		
As at 31-03-2017															

Notes forming part of the Financial Statements

(Rs. in lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
Note 11: Non-Current Investments		
Non Trade, Long term Investments (valued at cost)		
Unquoted		
(a) Investments in Mutual Funds		
Mutual Funds - others		
5000000 units of - HDFC FMP 1106D MAY 2015(1) - SERIES 33-DIRECT GROWTH	-	500
5000000 units of - ICICI PRUD. FMP SERIES 77-1130 DAYS PLAN D Growth Plan	-	500
10000000 units of - ICICI Pru FMP Series 82-1223 Days Direct Cumulative	1,000	-
10000000 units of - HDFC FMP 1158 D Feb (1) Series 39 - Dir - Growth	1,000	-
Quoted		
(a) Investments in debentures and bonds		
840 units of State Bank of India - Series 2 Lower Tier II Bonds, of Rs. 10,000/- each fully paid	84	84
(b) Investment in Equity instruments		
65,000 Equity shares of Bombay Stock Exchange Limited, of Rs 2/- each fully paid *	0	0
Total	2,084	1,084
Footnotes		
1. Aggregate book value of quoted investments	84	84
2. Aggregate market value of quoted investments	579	727
3. Aggregate book value of unquoted investments	2,000	1,000
4. Aggregate provision for diminution in the value of investments	-	-
* less than Rs. 50,000/-		
Note 12: Long-Term loans and advances		
a. Capital Advances		
Unsecured, considered good	180	209
b. Security Deposits		
Unsecured, considered good	309	306
Unsecured, considered doubtful	15	13
Less: Provision for doubtful deposits	(15)	(13)
	309	306
c. Other loans and advances		
Unsecured, considered good		
Prepaid Expenses	112	89
Deposit with Stock Exchanges	1,223	211
Margin monies with clearing member	13	13
Advance Payment of Income Tax	801	614
[Net of provisions for taxation CY Rs. 45,605 lacs (PY Rs. 27,519 lacs)]		
	2,149	927
Total	2,638	1,442
Note 13: Other non current assets		
Balances with Banks in deposit accounts		
With balance maturity of more than 12 months as at the balance sheet date		
Lien marked deposits with stock exchange	20	3,943
Others	33	99
Total	53	4,042
Note 14: Current investments		
Current Investments (Unquoted - at lower of cost or market value)		
Investments in Mutual Funds	71,311	28,802
Current Maturity of Long Term Investment (at cost unless otherwise stated)		
Investment in Mutual Funds	1,000	975
Total	72,311	29,777

Notes forming part of the Financial Statements

Particulars	(Rs. in lacs)			
	As at 31 March 2018	As at 31 March 2017		
Aggregate book value of quoted investments	-	-		
Aggregate book value of unquoted investments	72,311	29,777		
Aggregate market value of quoted investments	-	-		
Aggregate provision made for diminution in value of investments	7	-		
Details of Current Investments				
	No. of Units		Amount (Rs. in lacs)	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Investments in Mutual Funds				
- BNP Paribas Overnight Fund - Direct-Daily Dividend	192,442.990	60,276	5,000	1,500
- DSP BlackRock Ultra Short Term Fund	16,845,509.829	16,845,510	2,000	2,000
- DSP BlackRock Banking & PSU Debt-Direct-Growth	3,555,125.780	-	500	-
- DSP Black Rock Liquid Fund - Direct - Growth	103,320.203	-	2,500	-
- Kotak Banking and PSU Debt Fund	1,175,170.987	1,175,171	400	400
- Reliance Liquid Fund-Treasury Plan-Direct Growth Plan	-	53,716.707	-	1,500
- Reliance Arbitrage Advantage Fund -Direct- Monthly Dividend Plan	2,761,202.878	2,600,547.944	292	275
- Reliance Banking and PSU Debt Fund - Direct Growth Plan	25,495,706.981	25,495,706.981	2,656	2,656
- Reliance Liquid Fund Treasury Plan - Direct - Growth Plan	42,037.007	42,037.007	1,200	1,200
- Reliance Liquidity Fund - Growth	-	29,402.116	-	500
- Reliance Income Fund-Direct Growth Plan - Bonus Option Plan	4,497,586.662	4,497,586.662	500	500
- Reliance Liquidity Fund - Direct - Growth	210,471.363	-	5,500	-
- Reliance Regular Saving - Balanced - Direct - Div	264,171.707	-	58	-
- ICICI Prud. Banking and PSU Debt Fund -Direct Growth Plan	4,570,328.362	4,570,328.362	750	750
- ICICI Prudential Liquid -Direct Plan - Growth Plan	4,164,419.336	229,607.241	10,400	400
- ICICI Pru Ultra Short Term Fund - Direct Growth	3,189,467.104	3,189,467.104	500	500
- ICICI Pru Short Term Gilt Fund Direct Growth	2,296,263.979	-	1,000	-
- ICICI Prudential Money Market Fund Direct Growth	1,044,167.884	-	2,500	-
- ICICI Pru Balanced Fund-Direct-Monthly Div	188,930.517	-	58	-
- HDFC Arbitrage Fund -Direct- Monthly Dividend Plan	3,206,578.021	3,032,892.241	340	321
- HDFC Balanced Fund-Direct - Dividend Plan	171,444.087	362,864.517	57	100
- HDFC Banking and PSU Debt Fund - Direct - Growth Plan	8,386,143.954	8,386,143.954	1,000	1,000
- HDFC Medium Term Opp. Fund-Direct Plan-Growth	33,654,049.796	17,223,166.307	6,000	3,000
- HDFC Cash Mangement Saving Fund Direct Growth	316,511.189	177,042.677	11,000	6,000
- HDFC Charity For Cancer Cure Direct - Arbitrage	1,000,000.000	1,000,000.000	100	100
- HDFC Liquid Fund Direct Growth	88,512.816	171,594.739	3,000	5,500
- Tata Balance Fund-Direct - Dividend Plan	-	157,823.021	-	100
- Tata Short Term Fund - Direct - Growth	3,162,535.341	-	1,000	-
- TATA Liquid Fund - Direct - Growth	127,113.215	-	4,000	-
- Aditya Birla Sun Life Cash plus- Direct- Growth	1,255,687.881	-	3,500	-
- UTI MONEY MARKET-Direct-Growth	260,123.843	-	5,000	-
- UTI Banking & PSU DEBT FUND- Direct Growth Plan	4,098,192.697	4,098,192.697	500	500
Total			71,311	28,802
Details of Current Maturity of Long Term Investment				
Investments in Mutual Funds				
- Kotak FMP Series 161- 370 Days Plan - Growth Option - Direct	-	2,000,000	-	200
- UTI Fixed Term Income Fund Series XVII-X (367 Days)	-	7,753,705.815	-	775
- HDFC FMP 1106D MAY 2015(1) - SERIES 33-DIRECT GROW	5,000,000.000	-	500	-
- ICICI PRUD. FMP SERIES 77-1130 DAYS PLAN D Growth Plan	5,000,000.000	-	500	-
Total			1,000	975
Total			72,311	29,777
Foot note				
Of the above, units of mutual funds marked as lien with stock exchange for margin requirement			59,906	18,256

Notes forming part of the Financial Statements

(Rs. in lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
Note 15: Trade Receivables		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered doubtful of recovery	90	90
Less: Provision for doubtful debts	(90)	(90)
	-	-
Other Trade Receivables		
Unsecured, considered good	448	44
Receivable from Exchanges	20,185	19,820
Receivable from Clients	21,349	15,443
	41,982	35,307
Total	41,982	35,307
Note 16: Cash & Bank balance		
1. Cash and bank balance		
a. Cash and cash equivalents		
(i) Imprest Cash *	-	0
(ii) Balances with Banks		
- On current accounts	26,506	18,987
- On deposit accounts (with original maturity of 3 months or less)	5,199	18,226
b. Other bank balances (bank deposits with remaining maturity of upto 12 months)		
- Lien marked deposits with stock exchange	3,884	21,374
2. Earmarked balances with banks		
- Unpaid dividend accounts	-	16
Total	35,589	58,603

* less than Rs. 50,000/-

Notes forming part of the Financial Statements
(Rs. in lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
Note 17: Short-term loans and advances		
Loans and advances to other than related parties		
Unsecured, considered good		
Prepaid Expenses	336	213
Security Deposits	87	36
Other Advances recoverable in cash or in kind or for value to be received	308	263
Total	731	512
Note 18: Other Current Assets		
Interest accrued on Bank Fixed Deposits	245	644
Interest accrued on State Bank of India Bonds	8	8
Unbilled Revenue	518	361
GST / Service Tax Receivable	-	28
Total	771	1,041
(Rs. in lacs)		
Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Note 19: Revenue from Operations		
Brokerage Income	59,602	42,107
Fee Income	11,966	6,631
Other Operating income		
- Interest on fixed deposits	2,836	3,785
- Interest on delayed payments from clients	2,512	1,434
- Other interest	10	8
Total	76,926	53,965
Foot note on Fee Income		
Commission on sale of life insurance	1,204	771
Commission on sale of general insurance	12	16
Commission on sale of health insurance	1	-
Commission on sale of MF, FD and other items	10,749	5,844
Note 20: Other Income		
Interest on non-current investments	8	8
Dividend income from non-current investments	18	8
Dividend income from current investments	54	127
Net gain on sale of current investments	278	44
Net gain on sale of non current investments	1,356	989
Rental income from operating leases	175	175
Miscellaneous income	10	4
Total	1,899	1,355

Notes forming part of the Financial Statements

(Rs. in lacs)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Note 21: Employee benefits expenses		
(a) Salaries, wages and bonus	13,155	10,864
(b) Contributions to provident and other funds	517	691
(c) Staff training and welfare expenses	699	662
Total	14,371	12,217
Note 22: Finance Costs		
Interest paid - others*	1	0
Total	1	0
* less than Rs. 50,000/-		
Note 23: Other Expenses		
Stamp, registration and trading expenses	932	693
Outsourcing and professional fees	1,488	1,191
Directors sitting fees	29	32
Repairs and Maintenance		
- Buildings	640	451
- Others	1,071	941
Rent	1,327	1,393
Rates and Taxes	502	294
Membership and subscription	111	121
Advertisement and marketing	670	486
Commission	48	1
Electricity	342	422
Auditors' Remuneration (excluding service tax / GST) (refer note no 36)		
- Audit fees	18	23
- Out of pocket expenses	1	1
Website maintenance expenses	88	53
Printing and stationery	180	154
Insurance	56	36
Travelling and conveyance expenses	365	426
Expenditure on Corporate Social Responsibility	583	380
Postage and communication expenses	1,768	1,412
SEBI turnover fees	-	1
Provision for doubtful debts (net of reversals)	2	38
Loss On Fixed Asset Written Off	68	-
Loss on sale of fixed assets (Net)	4	1
Miscellaneous Expenses	231	164
Total	10,524	8,714

Notes forming part of the Financial Statements

Note 24: Additional information to the financial statements

24.1. Contingent liabilities

- a) Claims against the Company not acknowledged as debt: For disputed trades - Rs. 95 lacs (previous year - Rs.43 lacs) & Others - Rs. 1 lacs (Previous Year - 1 lacs).
- b) Service tax and Stamp Duty demands, net of amounts paid for Rs. 62 lacs (Previous Year - Rs. 26 lacs).

24.2. Pending capital commitments

As at 31 March, 2018 the Company has contracts remaining to be executed on capital account and not provided for. The estimated amount of contracts (net of advances) towards fixed assets is Rs. 641 lacs (previous year - Rs 527 lacs).

24.3. a) Expenditure in Foreign Currency

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17
STP and CHAT Integration charges	15	15
Total	15	15

b) Earnings in Foreign Currency

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17
Commission on sale of Superfund Mutual Fund	9	NIL
Research Information Services	3	2
Total	12	2

Note 25: Employee Benefits

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. The superannuation plan is unfunded.

A sum of Rs. 358 lacs (Previous Year Rs. 313 lacs) has been charged to the Statement of Profit and Loss towards National Pension fund, provident fund, family pension fund and superannuation 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 119 lacs (Previous Year Rs. 59 lacs), which is classified as a part of "Staff training and welfare expenses" [Refer Note No. 21(c)]

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

(i). Reconciliation of Defined Benefit Obligation

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17
Opening Defined Benefit Obligation	753	481
Current Service Cost	135	92
Interest Cost	51	37
Actuarial Losses	(144)	187
Benefits paid	(23)	(44)
Closing Defined Benefit Obligation	772	753

(ii). Reconciliation of Fair value of Plan Assets

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17
Opening Fair value of Plan Assets	465	312
Expected return on Plan Assets	35	24
Contributions	300	169
Benefits paid	(23)	(44)
Actuarial Gain / (Loss)	NIL	4
Closing Fair value of Plan Assets	777	465

(iii). Amount to be recognised in Balance Sheet and movement in net liability

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17
Present Value of Funded Obligation	772	753
Fair Value of Plan Assets	777	465
Net Liability Recognised in the Balance Sheet	5	(288)

(iv). Expenses recognised in the Statement of Profit and Loss

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17
Current Service Cost	135	92
Interest Cost	51	37
Expected return on Plan Assets	(35)	(24)
Actuarial Losses / (Gain) - (net)	(144)	183
Net gratuity expenses recognized in the Statement of Profit and Loss	7	288

(v). Description of Plan Assets *

Particulars	FY 2017-18 % Invested	FY 2016-17 % Invested
Debentures/Bonds	43	44
Equity	11	13
Government Securities	43	38
Other assets	3	5
Grand Total	100	100

The Plan Assets are managed by the Gratuity Trust formed by the Company. The management of funds is entrusted with HDFC Standard Life Insurance Company Limited (69% of Plan Assets: previous year 88%) and the Life Insurance Corporation of India ("LIC") (31% of Plan Assets: previous year 12%).

* The investment pattern disclosed above is based on information received from HDFC Standard Life Company Limited and LIC. However LIC's investment pattern is as at 31 March 2017 being the latest information available from LIC, has been used.

(vi). Experience Adjustments

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15	FY 2013-14
Defined Benefit Obligation	772	753	481	349	265
Fair value of Plan Assets	777	465	312	280	216
Surplus / (Deficit)	5	(288)	(169)	(69)	(49)
Experience Adjustments on Plan liabilities (Gain) / Loss	(42)	8	(20)	10	6
Experience Adjustments on Plan Assets (Loss) / Gain	NIL	4	(4)	10	(6)

(vii). 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	FY 2017-18	FY 2016-17
Discount Rate	7.40 %	6.80 %
Expected rate of return on Assets	8.00 %	7.60 %
Salary Escalation Rate	11 %	12.00 %
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.

(viii). Actual Return on Plan Assets

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17
Expected Return on Plan Assets	35	24
Actuarial gain/(loss) on Plan Assets	NIL	4
Actual return on Plan Assets	35	28

(ix). Other Details

The Employer's best estimate of the contributions expected to be paid to the plan during the next year - Rs. 116 lacs (previous year - Rs. 424 lacs).

Note 26: As per Accounting Standard on 'Related Party Disclosures' (AS-18) as notified by the Companies (Accounting Standards) Rules, 2006, the related parties of the Company are as follows

1. Holding Company:

HDFC Bank Limited.

2. Enterprise under common control of the Holding Company:

HDB Financial Services Limited.

3. Key Management Personnel:

Mr. Dhiraj Relli, Managing Director

Mr. Ashish Rathi, Whole Time Director

Mr. Santosh Haldankar, Whole Time Director upto 31st March 2017

The following transactions were carried out with the related parties in the ordinary course of business:

(Rs. in lacs)

Nature of Transaction	Holding Company	Enterprise under common control of the Holding Company	Key Management Personnel
Placement of fixed deposits	1,500 (19,350)	Nil (Nil)	Nil (Nil)
Redemption of fixed deposits	18,226 (28,980)	Nil (Nil)	Nil (Nil)
Franking Advance given	14 (2)	Nil (Nil)	Nil (Nil)
Rendering of services (including recoveries of expenses)	880 (297)	1 (0*)	Nil (Nil)
Receiving of services (including payment of expenses)	2,233 (1,823)	21 (12)	Nil (Nil)
Interest received	1,163 (2,375)	Nil (Nil)	Nil (Nil)

Interest paid	1 (0*)	Nil (Nil)	Nil (Nil)
Dividend Paid	12,906 (6,064)	Nil (Nil)	
Dhiraj Relli			Nil (Nil)
Ashish Rathi			2 (0*)
Santosh Haldankar			Nil (0*)
Remuneration to Key Management Personnel#	Nil	Nil	
Dhiraj Relli			179 (175)
Ashish Rathi			72 (66)
Santosh Haldankar			Nil (44)
Balances outstanding:			
Receivables	56 (9)	0* (0*)	Nil (Nil)
Bank balances	22,954 (15,436)	Nil (Nil)	Nil (Nil)
Fixed deposits	1,619 (18,345)	Nil (Nil)	Nil (Nil)
Accrued interest on fixed deposit - receivable	1 (126)	Nil (Nil)	Nil (Nil)
Accrued expenses	335 (190)	9 (12)	Nil (Nil)
Advances	41 (27)	Nil (Nil)	Nil (Nil)
ESOP - Number of options outstanding	Nil	Nil	
Dhiraj Relli			30000
Ashish Rathi			5250
Santosh Haldankar			Nil
Deposit received	76 (76)	Nil (Nil)	Nil (Nil)
Deposit paid	0* (0*)	Nil (Nil)	Nil (Nil)

Figures in brackets pertain to the previous year.

* Less than Rs. 50,000 /-

Managerial remuneration does not include provision for gratuity and compensated absence as separate amount not identified.

Note 27: Disclosures as required by Accounting Standard 19, "Leases", as notified by the Companies (Accounting Standards) Rules, 2006, are given below:

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 and at the arm's length price. 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 'Rent' in Note no. 23. Rent expenses of Rs. 1,327 lacs (Previous year - Rs. 1,312 lacs) in respect of obligation under cancellable operating leases and Rs. NIL lacs (Previous year - Rs. 81 lacs) in respect of non-cancelable operating leases have been charged to the statement of profit and loss.

The future minimum lease payments are as follows:

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17
Not later than one year	1,027	1,175
Later than one year but not later than five years	2,409	2,673
Later than five years	904	989

The Company has given some portion of its office premises on lease to its parent Company for a period of 5 years including escalation clause of 15% after 3 years.

The future minimum lease receipts are as follows:

(Rs. in lacs)

Particulars	FY 2017-18	FY 2016-17
Not later than one year	Nil	175
Later than one year but not later than five years	Nil	Nil
Later than five years	Nil	Nil

Note 28: In accordance with the Accounting Standard on 'Earnings per Share' (AS 20), as notified by the Companies (Accounting Standards) Rules, 2006:

- (i) The Earnings per Share is computed by dividing the Net Profit after Tax by the weighted average number of equity shares.

Particulars			FY 2017-18	FY 2016-17
a.	Equity shares outstanding at the beginning of the year	Nos.	15,483,125	15,483,125
b.	Add: Weighted average number of equity shares issued during the year	Nos.	3,620	-
c.	Weighted average number of equity shares for basic earnings per share (a + b)	Nos.	15,486,745	15,483,125
d.	Net profit after tax available for equity shareholders	Rs. in lacs	34,442	21,590
e.	Basic earnings per share of Rs. 10 each	Rs.	222.40	139.45

Particulars			FY 2017-18	FY 2016-17
a.	Weighted average number of equity shares for basic earnings per share	Nos.	15,486,745	15,483,125
b.	Add: Impact of Diluted ESOPs	Nos.	38,900	-
c.	Weighted average number of equity shares for diluted earnings per share (a + b)	Nos.	15,525,645	15,483,125
d.	Net profit after tax available for equity shareholders	Rs. in lacs	34,442	21,590
e.	Diluted earnings per share of Rs. 10 each	Rs.	221.84	139.45

Note 29: Taxation

Deferred Tax

The components of deferred tax assets and liabilities arising on account of timing differences are:

(Rs. in lacs)

Particulars	31 March 2018	31 March 2017
Liabilities		
Depreciation	(206)	(192)
Assets		
Provision for employee benefits	175	200
Provision for Doubtful debts	32	31
Provision for Rates and Taxes	220	71
Provision for Contingencies	17	17
Net Deferred tax asset	238	127

Note 30: Corporate Social Responsibility (CSR)

Particulars	31 March 2018	31 March 2017
Amount required to be spent by the company u/s 135 of the Companies Act, 2013 for CSR	522	382
Amount advanced	522	368
Amount advanced for previous year	32	Nil
Dividend on HDFC Charity Fund on CSR investments	6	Nil
Total amount advanced	560	368
Amount unspent	(43)	(65)

Note 31: 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 are ancillary to the main business. As such, there are no reportable segments that need to be reported separately as per the Accounting Standard on Segment Reporting (AS-17), specified under AS Rules, 2006.

Note 32: Accounting for Employee Share based Payments

The Shareholders of the Company approved a stock option scheme (viz. ESOS-II) in February 2017 (“Company Options”). Under the terms of the scheme, the Company issues stock options to employees, whole time director, managing director and directors (excluding Independent Directors) of the Company, each of which is convertible into one equity share.

Scheme ESOS-II provides for the issuance of options at the recommendation of the Compensation Committee of the Board of Directors (the “Compensation Committee”) at a price of Rs. 1,136/- per share, being the fair market value of the share arrived by considering the average price of the two independent valuation reports. Method of settlement of this options are equity shares of the Company. Weighted average remaining contractual life of these options is 22 months.

Such options vest at definitive dates, save for specific incidents, prescribed in the scheme as framed/approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee.

Method used for accounting for shared based payment plan

The Company uses the Intrinsic Value method to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employees Stock Options Plan

Particulars	FY 2017-18		FY 2016-17	
	Company Options	Weighted average exercise price (Rs.)	Company Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	2,80,000	1,136	-	-
Granted during the year	Nil	-	2,80,000	1,136
Exercised during the year	69,550	1,136	-	-
Particulars	FY 2017-18		FY 2016-17	
	Company Options	Weighted average exercise price (Rs.)	Company Options	Weighted average exercise price (Rs.)
Forfeited during the year	9,000	1,136	-	-
Lapsed during the year	Nil	-	-	-
Options outstanding, end of the year	2,01,450	1,136	2,80,000	1,136
Options exercisable	2,01,450	1,136	-	-

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on dates of each grant using the Black and Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company’s stock price as an average of the historical volatility of similar listed enterprises for the purpose of calculating the fair value to reduce any company specific variations. The various assumptions considered in the pricing model for the stock options granted by the Company.

Particulars	FY 2016-17
Dividend Yield	3.52 %
Expected volatility	43.53% to 42.48%
Risk - free interest rate	6.60 % to 6.90%
Expected life of the option	3 to 5 years

Impact of fair value method on net profit and EPS

Had compensation cost for the Company’s stock option plans

outstanding been determined based on the fair value approach, the Company’s net profit and earnings per share would have been as per the pro forma amounts indicated below:

Basic EPS

Particulars	As at 31 March 2018 (Rs. in lacs)	As at 31 March 2017 (Rs. in lacs)
Net Profit (as reported)	34,442	21,590
Add: Stock based compensation expense included in net income	-	-
Less: Stock based employee compensation expense determined under fair value based method (pro forma)	(264)	(78)
Net Profit (pro forma)	34,178	21,512
Basic earnings per share (as reported)	222.40	139.45
Basic earnings per share (pro forma)	220.69	138.95

Diluted EPS

Particulars	As at 31 March 2018 (Rs. in lacs)	As at 31 March 2017 (Rs. in lacs)
Net Profit (as reported)	34,442	21,590
Add: Stock based compensation expense included in net income	-	-
Less: Stock based employee compensation expense determined under fair value based method (pro forma)	(264)	(78)
Net Profit (pro forma)	34,178	21,512
Diluted earnings per share (as reported)	221.84	139.45
Diluted earnings per share (pro forma)	220.14	138.95

Note 33: Disclosure related to SBN (Specified Bank Notes) as per the MCA Notification dated 30 March, 2017

The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8th November 2016 to 30th December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018.

Note 34: 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

Note 35: Proposed Dividend

The Board of Directors, in their meeting held on April 16, 2018 have proposed a final dividend of Rs. 45 per equity share amounting to Rs. 8,423 lacs, inclusive of tax on dividend amounting to Rs. 1,425 lacs. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March, 2016, proposed dividend is not recognised as a liability as on March 31, 2018.

Note 36: Auditors Remuneration

Particulars	As at 31 March 2018 (Rs. in lacs)	As at 31 March 2017 (Rs. in lacs)
Statutory Audit	18	23
Out of pocket expense	1	1
Total	19	24

Note 37: Comparative figures

The previous year's figures are regrouped and rearranged wherever necessary to conform to current year's presentation.

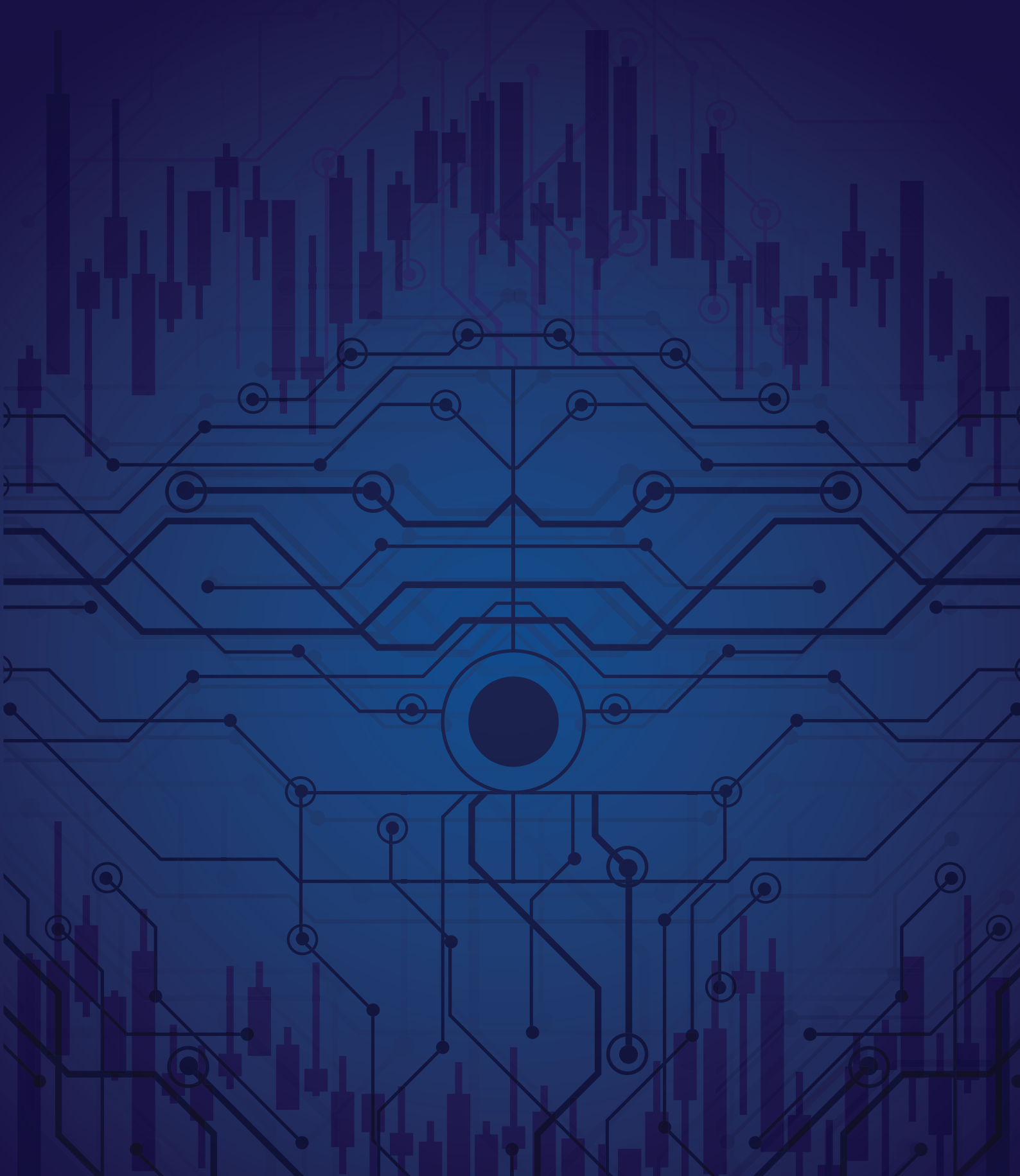
For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors
DHIRAJ RELLI **BHARAT SHAH**
Managing Director *Chairman*

AKEEL MASTER
Partner
Membership No. 046768

C. V. GANESH **N.E. VENKITAKRISHNAN** **ASHISH RATHI**
Chief Financial Officer *Company Secretary* *Whole Time Director*

Place : Mumbai
Date : 16th April, 2018



SEBI Registration Nos.: INB011109437 (BSE -EQ) / INB231109431 (NSE -EQ) / INF231109431 (NSE -FO) / INF011109437 (BSE -FO)/
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