Annual Report 2012

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HDFC securities

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Board of Directors
Mr. Abhay Aima
Mr. Aseem Dhru, Managing Director
Mr. Bharat Shah, Chairman
Ms. Latika Monga
Mr. S.S. Thakur
Mr. Santosh Haldankar, Whole Time Director & Company Secretary

Auditors
Deloitte Haskins & Sells
Chartered Accountants

Bankers
HDFC Bank Limited
Standard Chartered Bank
IndusInd Bank Limited
IDBI Bank Limited
Bank of America
Punjab National Bank
Corporation Bank

Whole Time Director & Company Secretary
Mr. Santosh Haldankar

Registered Office
Office Floor 8, I think Techno Campus,
Building B – Alpha,
Kanjurmarg (East),
Mumbai 400 042
Tel No. : 022-30753454
Fax No.: 022-30753435
Website : www.hdfcsec.com

Registrar & Share Transfer Agents
Datamatics Financial Services Limited,
Plot No B-5,
Part B Crosslane,
MIDC, Marol,
Andheri (East),
Mumbai - 400 093
Tel. No.: 66712175
Fax No.: 66712011

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the 12th Annual Report on the business and operations of the Company together with audited accounts for the year ended 31 March 2012.

FINANCIAL RESULTS

(Rs. in Crores)

	Year ended 31-3-2012	Year ended 31-3-2011
Total Income	**210.01**	**260.52**
Total Expenses	121.90	136.15
Profit before depreciation	**88.11**	**124.37**
Depreciation and Amortisation	8.04	8.46
Profit before tax	**80.07**	**115.91**
Provision for Tax	25.98	38.75
Profit after tax	**54.09**	**77.16**
Balance brought forward	206.51	130.40
Amount available for appropriation	**260.60**	**207.56**
Proposed dividend	1.21	0.90
Tax including surcharge and education cess on dividend	0.20	0.15
Balance carried over to Balance Sheet	**259.19**	**206.51**

OPERATIONS

During the year under review, the Company's total income amounted to Rs. 210.01 crores as against Rs. 260.52 crores in the previous year, a decline of 19%. The operations have resulted in a net profit after tax of Rs. 54.09 crores as against Rs. 77.16 crores in the previous year. The Company has emerged as a strong player in the financial services space offering complete financial services alongwith the core broking product. The Company continued strengthening its distribution network and by the end of the year has 184 branches across the country including separate linguistic call centres to cater to the financial needs of its customers across the country.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic Outlook

The Indian economy started fiscal 2011-12 on a positive note after two good years of 8.4% GDP growth recovering sharply from the global crisis levels of 6.8 percent noticed in 2008-09. On the back of optimism drawn from the strong rebound in growth, the Economic Survey 2010-11 forecasted the GDP growth of 9 percent during 2011-12. However, as a spillover of growth, the economy came under inflationary pressures that compelled the central bank to continue to adopt a tight monetary policy. The RBI kept raising repo rates till Oct 2011 when it raised it by 25 bps to 8.50%.

Reduced liquidity in the economic system meanwhile led to slowing economic activity. This is reflected by the IIP numbers remaining below 4% between July and September 2011 and plunging into negative territory of –5% in October 2011(lowest since March 2009). Within industry, manufacturing and mining have particularly been responsible for the downfall. The GDP growth fell to 6.08 percent during the December quarter, the lowest in almost three years. This slump has heightened fears of GDP growth dipping below 7 percent during the fiscal period ending March 2012.

Declining economic activity has primarily been driven by mounting commodity price pressures and consequent interest rate hikes to contain the inflation by RBI. Containing inflation driven by demand-supply mismatches emerged as the most significant area of concern. WPI remained above 9% till Nov 2011 (peaking at 10% in Sept 2011) before falling to 6.95% in Feb 2012. This compelled RBI to adopt a tight liquidity regime, by raising repo rates 13 times in a row by a total of 375 bps till Oct 2011.

Coupled with domestic factors, which led to a slowdown of economic activity in the Indian economy, global factors such as the intensification of the euro zone crisis and fears of double dip recession in leading economies contributed to the downward trend. Global uncertainty triggered a flight to safety amongst global investors, which led to an outflow of FIIs that touched a three year high in August 2011 (Rs.9,637 cr). The net investment by foreign institutional investors (FIIs) in stock market during 2011-12 was the lowest in the last three years at Rs 47,935 crore. This was way below the figure of Rs 1.1 lakh crore in 2010-11 and Rs 96,857 crore during 2009-10, according to SEBI data. Back home, high inflation- high interest rate regime, delay in government policy-making, lack of reforms and corruption scandals soured investors' mood. Further a rising fiscal deficit and high crude oil prices could continue to weigh on investors' sentiments.

The rush towards the US Dollar translated into the Rupee weakening, which touched an all time low of INR 54.30/ USD in mid December 2011, before the RBI stepped in aggressively with administrative measures. However, from December 2011, both indicators (FII and the exchange rate) have shown improvement as domestic pressures have started easing. Any improvement in global conditions is however expected to play a role in easing current account deficit conditions. Trade deficit for Apr 2011-Feb 2012 rose to $166.7 bn vs $115.2 bn in the corresponding period last year.

The Union Budget was largely uneventful but considering the political realities, the best under the circumstances. FIIs have raised concerns about some irritating provisions including retrospective amendments and GAAR (General Anti-Avoidance Rules) but one hopes that post clarification from the Government the situation will settle down to normal. Challenges remain on the front of maintaining GDP growth and achieving fiscal targets.

Capital Market

For the first time, in the last three financial years, the equity market returns turned negative in FY12. The 30-stock Sensex declined around 10 per cent in FY12, after gaining a whopping 80 per cent in FY10 and 11 per cent in FY11. Mutual funds too were net sellers in the equity markets to the tune of Rs.1,280 cr in FY12 reflecting subdued sentiments on the part of domestic investors. However, in the fourth quarter, the Sensex recorded its best quarterly performance in the past six quarters gaining 13%.

Average daily cash markets volumes fell in FY12 by 38% and 20% for BSE and NSE respectively over FY11. This impacted revenues of brokerages. However NSE F&O volumes rose 9%. Proportion of F&O volumes in NSE to total NSE volumes rose to 91.7% vs 89.1% in FY11, resulting in pressure on yields.

High interest rates prevailing in the debt markets diverted flows from equity markets to debt markets. During FY12, a total of about 9.5 lakh new investor accounts were opened in the country, which is almost half of about 19 lakh new accounts opened during the previous fiscal, FY11.

Even the amount companies raised through IPOs in FY12 was paltry. Research by a business newspaper shows that during this period, 34 firms were able to raise only Rs.5,892.88 crore-the second lowest since FY05, when 23 companies raised Rs14,662.32 crore. The worst performance was in FY09 when the collapse of US-based investment bank Lehman Brothers had sent the global markets into a tailspin. That year, 21 companies could raise only Rs 2,033.99 crore through IPOs. During FY11 a total of 91 initial Public Offers (IPO) or Follow on Public Offers (FPO) hit the market and mobilized around Rs 67,000 crore as compared to 76 issues in FY10 that accounted for around Rs 57,000 crore.

Recognising the need for boosting the capital markets, the Government of India has proposed various reforms in the Union Budget 2012-13 such as allowing Qualified Foreign Investors (QFIs) to access Indian Corporate Bond Market, simplifying the process of Initial Public Offers (IPOs), Rajiv Gandhi Equity Savings Scheme etc.

In FY13, the capital markets will continue to face challenges of global uncertainties (arising mainly out of Europe) and its impact on global risk appetite, local growth rates, inflation, fiscal and current account deficits and Rupee-dollar rate.

DIVIDEND

Your Directors are pleased to recommend a dividend of 8% for the year ended 31 March 2012. This dividend shall be subject to dividend distribution tax to be paid by the Company but will be tax-free in the hands of the members.

AWARDS AND RECOGNITION

During the year, the Company received the "**Largest E-Broking House"** award at the BSE IPF - Dun & Bradstreet Equity Broking awards ceremony.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible Corporate Citizen the Company strives for community empowerment through socio-economic development of underprivileged and marginalized sections of society. It's been the Company's endeavour to put more value on bringing social good, which is beneficial to the society and thus making a difference in the livelihood of the people. The Company has partnered with NGOs to promote educational and social initiatives including providing resources for a project entitled "E-Teaching Aid Projects for Vernacular schools in Maharashtra.

During the year under review, the Company supported a variety of social causes ranging from promoting education for underprivileged children, participating in blood donation camps etc. The effort of the Company on social initiatives is on an ongoing basis.

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

A. Since the Company does not carry out any manufacturing activities, particulars to be disclosed with respect to conservation of energy and technology absorption under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

B. Details of earnings and expenses in foreign currency are reflected at Note no. 23.3 of the Financial statements.

DIRECTORS:

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

EMPLOYEE STOCK OPTION

The Company had granted 5,42,750 stock options to its employees entitling them to receive an equivalent number of Equity shares of face value of Rs. 10/- each in the Company at an exercise price of Rs. 135/- per share.

During the year under review 1,49,325 stock options further vested on 17 February 2012. A total of 61,050 stock options were exercised and allotted by the Company during the year. The money realised due to exercise of the said options was Rs. 82,41,750/-. A detailed note on this subject is placed in the notes forming part of the financial statements at Note no. 25

PUBLIC DEPOSIT:

During the year under review, the Company has not accepted any deposit pursuant to Section 58A of the Companies Act, 1956.

INFORMATION PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956:

The information required to be given under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given in the Annexure enclosed.

AUDITORS:

M/s. Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Company will retire at the conclusion of the forthcoming Annual General Meeting. Members are requested to consider their re-appointment on a remuneration, to be decided by the Board of Directors in mutual consultation with the Auditors.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors hereby state that:

1. in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

2. they have selected such accounting policies and 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 at 31 March, 2012 and of the profit of the Company for the year ended on that date;

3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

4. they have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE REPORT

As part of the Company's efforts towards better corporate practice and transparency, a separate report on Corporate Governance compliances is included as a part of the Annual Report.

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 and rendering high quality services to the customers. We would also like to thank all our shareholders for their support in our endeavours.

On behalf of the Board of Directors

Place: Mumbai. **Bharat Shah**
Date: 12 April 2012 **Chairman**

Annexure

Information pursuant to Section 217(2A) of the Companies Act, 1956.

Name and Qualification	Age in yrs.	Designation / Nature of Duties	Date of commencement of employment	Remuneration (Rs.)	Experience (No. of years)	Last Employment
Mr. Aseem Dhru B.Com, CA,CWA	42	Managing Director	1 January 2008	2,16,40,840	17	HDFC Bank Ltd
Mr. C.V. Ganesh B.Com, CA, CWA	40	Chief Financial Officer & Head – Operations	2 May 2008	71,44,271	18	Citi Technology Services Ltd.
Mr. Deepak Jasani B.Com, LLB, FCA, CFA	47	Head – Retail Research	7 April 2004	65,82,602	17	Kaji & Maulik Services Ltd.
Mr. Siddharth Shah B.Com	52	Head -Branch Sales	1 June 2010	88,42,823	31	HDFC Bank Ltd
Mr. Vinod Sharma B.Com, MBA	50	Head Pvt Broking & Wealth Management	30 October 2009	66,73,263	27	Anagram Securities Limited

Employed for part of 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
Mr. C. Sridhar B.Com, CAIIB, PGDPM	49	Head – Institutional Equities	23 February 2012	8,15,268	25	B&K Securities India Pvt. Ltd.
Mr. Mehul Desai B.Com, CA	52	Head – Institutional Sales	23 February 2012	7,92,844	26	Pioneer Invest Corp

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.

Annexure to the Directors' Report

CORPORATE GOVERNANCE REPORT

1. Philosophy on the Code of Corporate Governance

The philosophy on Corporate Governance of your Company envisages the attainment of the highest level of transparency, accountability and equity in all facets of its operations and in all its interactions with its shareholders, customers, employees, stock exchanges and all regulatory bodies.

2. Board of Directors:

(i) Composition and size of the Board

The composition of the Board of Directors of the Company is governed by the Companies Act, 1956 & the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The Board has a strength of 6 Directors as on 31 March 2012. All the Directors other than Mr. Aseem Dhru (Managing Director) and Mr. Santosh Haldankar (Whole Time Director) are non-executive directors. Mr. Bharat Shah is the Non-Executive Chairman of the Company. The other directors on the Board are Mr. Abhay Aima, Mr.S.S.Thakur and Ms. Latika Monga.

The Directors of the Company have wide experience and optimum combination in the field of finance, banking and broking.

(ii) Details of attendance of Directors at the Board Meetings and their Directorship in other Companies are as follows:

Names of Directors	Category of Director	Attendance at the Board Meeting	Directorship of other Companies	Sitting Fees (Rs.)
Mr.Abhay Aima	Non-Executive	5	2	2,20,000
Mr. Aseem Dhru	Managing Director	5	-	-
Mr. Bharat Shah	Non-Executive	5	9	2,40,000
Ms. Latika Monga	Non-Executive	-	-	-
Mr. S.S. Thakur	Non-Executive	5	14	2,20,000
Mr. Santosh Haldankar	Whole Time Director	5	-	-

3. Committees of the Board:

The various committees of the Board are as follows:

Audit Committee:

The Audit Committee is chaired by Mr. S.S. Thakur. The other members of the Committee are Mr.Bharat Shah, Mr. Abhay Aima & Ms. Latika Monga. The Committee met 5(five) times during the year. The terms of reference of the Audit Committee interalia includes the following:

a. Reviewing the adequacy of internal control systems and significant audit findings;
b. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
c. Recommending appointment and removal of internal & external auditor and fixing of their fees;
d. Reviewing with management, the financial statements focussing primarily on accounting policies and practices, compliances with other requirements concerning financial statements;
e. Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures, techniques and other regulatory requirements;
f. Review the Company's financial and risk management policies.

Compensation Committee:

The Compensation Committee is chaired by Mr. Bharat Shah. The Compensation Committee approves the HR policies, compensation to various officers of the Company (including Managing & Whole time Directors) and any other matter relating to compensation. The Committee comprises of 4 Directors viz. Mr.Bharat Shah, Mr.S.S.Thakur, Mr. Abhay Aima & Ms. Latika Monga. The Committee met 3 (three) times during the year.

CAPEX Committee

The CAPEX Committee is chaired by Mr. Bharat Shah. The CAPEX Committee considers and approves all capital expenditure incurred by the Company for its various projects, branch set up, etc. from time to time. The Committee consists of Mr. Bharat Shah, Mr. S.S. Thakur, Mr. Abhay Aima and Mr. Aseem Dhru. The Committee met 4(four) times during the year.

Share Allotment and Transfer Committee:

The Share Allotment and Transfer Committee is chaired by Mr. Bharat Shah. 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 and Mr. Aseem Dhru. The Committee met 2(two) times during the year.

Investment Management Committee

The Investment Management Committee is chaired by Mr. Aseem Dhru. The Investment Management Committee considers and approves the investment of funds by the Company in securities. The Committee consists of Mr. Aseem Dhru, Mr. C.V. Ganesh, Mr. Nimesh Shah and Mr. Santosh Haldankar. The Committee met 3(three) times during the year.

4. General Body Meetings

(During previous three financial years)

Meeting	Date and Time	Venue	No. of Special Resolutions passed
11TH AGM	24 June 2011 at 11.30 a.m.	HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	1(one)
10TH AGM	14 June 2010 at 12.00 noon	Office Floor 8, I think Techno Campus Bldg. B – Alpha, Kanjurmarg (E), Mumbai 400 042	1(one)
EGM	17 February 2010 at 10.30 a.m.	Office Floor 8, I think Techno Campus Bldg. B – Alpha, Kanjurmarg (E), Mumbai 400 042	3(three)
9TH AGM	29 June 2009 at 3.00 p.m.	Trade World, C Wing, 1st Floor, Kamala Mills Compound, S.B. Marg, Lower Parel, Mumbai 400 013	1(one)

5. Disclosures

The Company has not entered into any materially significant transactions during the year, which could have a potential conflict of interest between the Company and its Directors, management or their relatives, other than the transactions entered into in the normal course of business.

6. General Shareholder Information

(i) Financial Year : 2011-12

(ii) Address for Correspondence : Office Floor 8, I think Techno Campus Building B – Alpha, Kanjurmarg (East), Mumbai 400 042

(iii) Registrar and Share Transfer Agents : Datamatics Financial Services Limited
Unit : HDFC Securities Limited, Plot No. B 5, Cross lane, MIDC, Marol, Andheri (East), Mumbai 400 093 Tel: 022-66712175 Fax: 022-66712011

(iv) Shareholding Pattern as on 31 March 2012

Sr No.	Name of the Shareholder	Number of shares held	Face value per share (Rs.)	Amt Paid up (Rs. in lacs)	% to Share Capital
1	HDFC Bank Limited	95,35,000	10/-	953.50	63.02
2	Indocean eSecurities Holding Limited	42,75,000	10/-	427.50	28.26
3	Others	13,19,750	10/-	131.97	8.72
	TOTAL	**1,51,29,750**			**100%**

On behalf of the Board of Directors

Place: Mumbai.
Date: 12 April 2012

Bharat Shah
Chairman

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 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for 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 Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal controls 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the 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 risks assessments, the auditor considers the internal controls relevant to the company's preparation and fair presentation of the financial statements 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 Management, as well as evaluating the overall presentation of the financial statements. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;

(b) in the case of the statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flow of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that;

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (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 Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in section 211(3C) of the Act.

   (e) On the basis of the written representations received from the Directors as on 31 March 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March 2012 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm Registration No.117366W)

(Sanjiv V. Pilgaonkar)
Partner
(Membership No.39826)

Place : Mumbai
Date : 12 April, 2012

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

(i) Having regard to the nature of the Company's business/activities, the provisions of paragraph 4(xiii) of CARO are not applicable.

(ii) In respect of fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) According to the information and explanations given to us, the Company is engaged primarily in the securities broking operations and its activities do not require it to hold any inventories. Therefore, the provisions of paragraph 4(ii) of the order are not applicable to the Company.

(iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of fixed assets and for sale of services. The nature of the Company's business is such that it does not involve purchase of inventories and sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.

(vi) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements, the particulars of which were required to be entered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of paragraph 4(v)(b) of the Order are not applicable.

(vii) According to the information and explanations given to us, the Company has not accepted deposits in terms of the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and no order under the aforesaid sections has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any court or any other Tribunal in this respect.

(viii) In our opinion, the internal audit functions carried out during the year by an entity appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(ix) To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for any services rendered by the Company.

(x) According to the information and explanations given to us in respect of statutory dues:

(a) The company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payables in respect of Income-tax, Wealth Tax, Cess and other material statutory dues in arrears as at 31 March 2012 for a period of more than six months from the date they become payable.

(c) Details of dues of Income-tax, Wealth Tax, Service Tax and Cess which have not been deposited as on 31 March 2012 on account of dispute is given below:

Statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (Rs.in Lakhs)
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal	Assessment Year 2005-06	22.26
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal	Assessment Year 2006-07	27.66
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 2007-08	5.06
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 2008-09	3.89
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 2009-10	21.62
Finance Act, 1994	Service Tax	Commissioner of Central Excise (Appeals)	Financial Years 2004-05 and 2005-06	3.77
Finance Act, 1994	Service Tax	Commissioner of Central Excise	Financial Years 2005-06 to 2008-09	11.07

(xi) The Company does not have any accumulated losses as at the end of the year. The Company has not incurred cash losses during the year covered by our audit and in the immediately preceding financial year.

(xii) According to the information and explanations given to us, the Company has not borrowed any sum from a financial institution or bank nor has it issued any debentures. Accordingly, the provisions of paragraph 4(xi) of the Order are not applicable to the Company.

(xiii) According to the information and explanations given to us, the Company has maintained adequate records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiv) According to the information and explanations given to us, the Company does not deal in shares, securities, debentures and other investments. Accordingly, the provisions of paragraph 4(xiv) of the Order are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) According to the information and explanations given to us, the Company has not availed any term loan during the year. Therefore, the provisions for paragraph 4(xvi) of the Order are not applicable to the Company.

(xvii) In our opinion an according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report the funds raised on short-term basis have not been used during the year for long – term investment.

(xviii) According to the information and explanations given to us, the Company has not made any preferential allotment to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

(xix) According to the information and explanations given to us, there were no debentures issued by the Company. Therefore the provisions of paragraph 4(xix) of the Order are not applicable to the Company.

(xx) According to the information and explanations given to us, the Company has not raised any money by way of public issue, during the year. Therefore, the provisions of paragraph 4(xx) of the Order are not applicable to the Company.

(xxi) To our best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year, although there were instances of unauthorized encashment and attempted encashment of amounts from certain bank accounts, the amounts whereof are not material in the context of the size of the Company and the nature of the business. The Company has made provisions against the amounts encashed without authorization.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No: 117366W)

Sanjiv V. Pilgaonkar
Partner
(Membership No. 39826)

Place : Mumbai
Date : 12 April , 2012

Balance Sheet as at 31 March, 2012

(Rs. in Lacs)

		Particulars	Note No.	As at 31 March, 2012	As at 31 March, 2011
I.		**EQUITY AND LIABILITIES**			
1		**Shareholders' funds**			
	(a)	Share capital	3	**1,513**	1,507
	(b)	Reserves and surplus	4	**28,795**	23,452
	(c)	Money received against share warrants		-	-
				30,308	24,959
2		Share application money pending allotment	-	-	-
3		**Non-current liabilities**			
	(a)	Long-term borrowings	-	-	-
	(b)	Deferred tax liabilities (Net)	-	-	-
	(c)	Other long term liabilities	5	**16**	13
	(d)	Long-term provisions	6	**54**	72
4		**Current liabilities**			
	(a)	Short-term borrowings	-	-	
	(b)	Trade payables	7	**814**	838
	(c)	Other current liabilities	8	**14,479**	23,125
	(d)	Short-term provisions	9	**460**	356
		Total		**46,131**	49,363
II.		**ASSETS**			
1		**Non-current assets**			
	(a)	Fixed assets (Net)			
	(i)	Tangible Assets	10	**1,472**	1,780
	(ii)	Intangible Assets	10	**418**	230
	(iii)	Capital Work-in-Progress		-	18
	(iv)	Intangible assets under development		**21**	-
				1,911	2,028
	(b)	Non-current investments	11	**84**	84
	(c)	Deferred tax assets (Net)		**228**	60
	(d)	Long-term loans and advances	12	**698**	853
	(e)	Other non-current assets	13	**9,825**	5,530
2		**Current assets**			
	(a)	Current investments		-	-
	(b)	Inventories		-	-
	(c)	Trade receivables	14	**100**	183
	(d)	Cash and Cash Equivalents	15	**24,382**	24,500
	(e)	Short-term loans and advances	16	**8,523**	15,591
	(f)	Other current assets	17	**380**	534
		Total		**46,131**	49,363

The accompanying notes form an integral part of these financial statements **(1 to 26)**

In terms of our report of even date attached.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Place : Mumbai
Date : 12 April, 2012

For and on behalf of the Board

ASEEM DHRU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

BHARAT SHAH
Chairman

Statement of Profit and Loss for the year ended 31 March, 2012

(Rs. in Lacs)

	Particulars	Note No.	Year ended 31 March, 2012	Year ended 31 March, 2011
I.	Revenue from operations	18	19,066	24,458
II.	Other income	19	1,935	1,594
III.	**Total Revenue (I + II)**		21,001	26,052
IV.	Expenses:			
	Employee benefits expense	20	7,277	8,073
	Finance costs	21	35	51
	Depreciation and amortization expense	10	804	846
	Other expenses	22	4,878	5,491
	Total expenses		12,994	14,461
V.	**Profit before exceptional and extraordinary items and tax (III - IV)**		8,007	11,591
VI.	Exceptional items			
VII.	**Profit before extraordinary items and tax (V - VI)**		8,007	11,591
VIII.	Extraordinary Items			
IX.	**Profit before tax (VII - VIII)**		8,007	11,591
X.	Tax expense:			
	(1) Current tax expense for current year		2,650	3,870
	(2) Current tax expense relating to prior years		116	-
	(3) Deferred tax		(168)	5
XI.	**Profit for the period from continuing operations (IX - X)**		5,409	7,716
XII.	Profit/(loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	**Profit from Discontinuing operations (after tax) (XII-XIII)**		-	-
XV.	**Profit for the period (XI + XIV)**		5,409	7,716
XVI.	Earnings per equity share:			
	Basic and diluted (Rs.)		35.87	51.43

The accompanying notes form part of the financial statements **(1 to 26)**

In terms of our report of even date attached.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Place : Mumbai
Date : 12 April, 2012

For and on behalf of the Board

ASEEM DHRU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

BHARAT SHAH
Chairman

Cash Flow Statement for the year ended 31 March, 2012

(Rs. in lacs)

	Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
(A)	**Cash flows from Operating activities :**		
	Net Profit before taxation	**8,007**	11,591
	Adjustments for :		
	Interest on loans and deposits	**(27)**	(58)
	Interest on fixed deposits	**(1,786)**	(1,229)
	Interest on SBI bonds	**(8)**	(8)
	Loss on sale / write off of Fixed Assets	**25**	1
	Dividend received	**(107)**	(58)
	Provision for Doubtful Debts	**2**	3
	Provision for Wealth Tax	**1**	1
	Depreciation and Amortisation	**804**	846
	Provision for Employee benefits	**88**	114
	Operating profit before working capital changes	**6,999**	11,203
	Adjustments for changes in :		
	Trade Receivables	**7,035**	(7,859)
	Loans and advances	**411**	(186)
	Fixed deposits pledged with Banks under lien against guarantee / margins	**(3,416)**	(5,832)
	Trade and other payables	**(8,589)**	7,653
	Cash generated from Operations	**2,440**	4,979
	Direct taxes paid (net of refunds)	**(2,778)**	(3,992)
	Net Cash generated from Operating activities	**(338)**	987
(B)	**Cash flows from Investing activities :**		
	Additions to Fixed Assets and Capital work in progress	**(797)**	(1,027)
	Proceeds from sale of Fixed Assets	**9**	10
	Fixed deposits with original maturity of more than 3 months	**(1,985)**	1,610
	Investments purchased	**-**	(84)
	Purchase of mutual funds	**(9,863)**	(32,549)
	Sale of mutual funds	**9,863**	32,549
	Interest on loans and deposits	**27**	58
	Interest on fixed deposits	**1,773**	1,229
	Interest on bonds	**3**	8
	Dividend received	**107**	58
	Net Cash used in Investing activities	**(863)**	1,862
(C)	**Cash flows from Financing activities :**		
	Dividend Paid (including dividend tax)	**(105)**	(88)
	Money received on excercise of stock options by employees	**82**	91
	Net Cash generated from Financing activities	**(23)**	3
	Net increase in cash and cash equivalents	**(1,224)**	2,852
	Cash and cash equivalents at the beginning of the year	**10,396**	7,544
	Cash and cash equivalents at the end of the year	**9,172**	10,396
	Reconciliation		
	Cash and cash equivalents at the end of the year	**9,172**	10,396
	Add: Fixed deposits with original maturity in excess of three months and restricted cash balances	**15,210**	14,104
	Cash and cash equivalents at the end of the year as per Note 15	**24,382**	24,500
	Add: Fixed deposits pledged with Banks against guarantees / margins (Refer Note 13)	**9,825**	5,530
	Cash and Bank Balances	**34,207**	30,030

The accompanying notes form an integral part of these financial statements (1 to 26)

In terms of our report of even date attached.
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Place : Mumbai
Date : 12 April, 2012

For and on behalf of the Board
ASEEM DHRU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

BHARAT SHAH
Chairman

Notes forming part of the Financial Statements

1. Corporate Information

HDFC Securities Limited (the "Company") is engaged in a single line of business as a brokerage. The Company is an unlisted public limited company that is a majority owned subsidiary of HDFC Bank Limited (the "Parent"). The Company is registetred 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, its activities comprise several classess of services including agency transactions, subscription based services and distribution of financial products.

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 notified under Section 211 (3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the Other relevant provisions of the Companies Act, 1956.

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 VI (revised) to the Companies Act, 1956.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous years.

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 brokerage is recognised as the related services are performed.

Commissions are recorded on a trade date basis as the securities transaction occur.

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, issue of the insurance policy to the applicant.

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

Other income

Interest income is recognised on a time proportion basis taking into account the amount outstanding 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.

Depreciation is provided on a pro-rata basis using the straight-line method over the estimated useful lives of the assets or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher, as follows:

Asset	**Estimated useful life**
Computers	3 years
Computer peripherals	4 years
Office Equipment	6 years
Furniture and fixtures	15 years
Leasehold Improvements	over the primary period of the lease
Vehicles	4 years

All tangible assets costing less than Rs. 5,000 individually are fully depreciated in the year of purchase.

Depreciation methods and useful lives are reviewed at each financial year end and adjusted if appropriate.

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.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. A rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use is considered by the management. 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	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 profit sharing plans 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 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.

Where there are restrictions on availment of such accrued benefit or where the availment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

(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 lax, 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 fax 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.

Current and deferred taxes relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.

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 cash equivalents

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).

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)

	As at 31 March, 2012 Number	As at 31 March, 2012 Amount	As at March 31, 2011 Number	As at March 31, 2011 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	**15,129,750**	**1,513**	15,068,700	1,507
Total	**15,129,750**	**1,513**	15,068,700	1,507

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

Particulars				
Shares outstanding at the beginning of the period	**15,068,700**	**1,507**	15,001,000	1,500
Shares issued during the period	**61,050**	**6**	67,700	7
Shares bought back during the period	**-**	**-**	-	-
Shares outstanding at the end of the period	**15,129,750**	**1,513**	15,068,700	1,507

(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

Particulars				
Equity Shares held by HDFC Bank Ltd., the Holding Company	**9,535,000**	**954**	8,849,839	885
Total	**9,535,000**	**954**	8,849,839	885

(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, 2012 No. of Shares held**	**As at 31 March, 2012 % of Holding**	As at March 31, 2011 No. of Shares held	As at March 31, 2011 % of Holding
HDFC Bank Limited	**9,535,000**	**63.02%**	8,849,839	58.73%
Indocean eSecurities Holding Limited	**4,275,000**	**28.26%**	4,275,000	28.37%

(v) Aggregate number and class of shares allotted as fully paid up by way of bonus shares

Particulars	**As at 31 March, 2012**	**As at 31 March, 2011**	As at 31 March, 2010	As at 31 March, 2009	As at 31 March, 2008
Equity Shares :					
Fully paid up pursuant to contract(s) without payment being received in cash	**-**	**-**	-	-	-
Fully paid up by way of bonus shares	**12,000,800**	**12,000,800**	12,000,800	12,000,800	12,000,800
Shares bought back	**-**	**-**	-	-	-

(vi) Shares reserved for issue under options

For details of shares reserved for issue under the Employee stock option plan, please refer Note no. 24 of Notes forming part of the Financial Statements

Notes forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

		As at 31 March, 2012	As at March 31, 2011
Note 4: Reserves and Surplus			
a.	Securities Premium Account		
	Balance as at the begining of the year	**2,800**	2,716
	Additions during the year	**76**	85
	Balance as at the end of the year	**2,876**	2,801
b.	Surplus in the Statement of Profit and Loss		
	Balance as at the begining of the year	**20,651**	13,040
	Add: Net Profit for the year	**5,409**	7,716
	Less: Appropriations		
	Proposed dividend on equity shares	**121**	90
	Dividend distribution tax on proposed dividend on equity shares	**20**	15
	Balance as at the end of the year	**25,919**	20,651
	Total	**28,795**	23,452
Note 5: Other Long Term Liabilities			
Operating lease obligation		**16**	13
Total		**16**	13
Note 6: Long-Term Provisions			
Provision for employee benefits			
Provision for gratuity		**54**	72
Total		**54**	72
Note 7: Trade Payables			
Dues to other than Micro and Small Enterprises [See footnote]		**15**	11
Accrued Expenses		**799**	827
Total		**814**	838

Footnote:
On the basis of the intimation received from ‘suppliers’ regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are nine (previous year – eight) suppliers registered under the said Act and there are no amounts unpaid, to the said suppliers, as at the year end.

Notes forming part of the Financial Statements (Contd.)

		As at 31 March, 2012	As at March 31, 2011
			(Rs. in Lacs)
Note 8: Other Current Liabilities			
(a)	Income received in advance	**248**	389
(b)	Unpaid dividends [see footnote]	**1**	1
(c)	Other payables		
	Payable to Exchanges	**4**	11
	Payable to Clients	**11,760**	19,838
	Statutory Dues including Tax deducted at Source and Provident Fund	**114**	72
	Accrued payroll & employee benefits	**2,021**	2,484
	Operating lease obligation	**270**	209
	Stale cheques	**48**	32
	Liabilities for capital goods	**13**	89
	Total	**14,479**	23,125

Footnote:

There are no amounts due for payment to Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end.

Note 9: Short-Term Provisions			
(a)	**Provision for employee benefits**		
	Compensated absences	**236**	131
(b)	**Others**		
	Provision For Taxation (Net)	**81**	118
	Provision for Fringe Benefit Tax (Net)	**1**	1
	Provision for Wealth Tax (Net)	**1**	1
	Provision for Dividend (includes provision for corporate dividend tax Rs 20 lacs; *previous year Rs 15 lacs*)	**141**	105
	Total	**460**	356

Note 10: Fixed Assets (Net) **(Rs. in Lacs)**

Fixed Assets	Gross Block				Accumulated Depreciation				Net Block	
	As at 01-04-2011	Additions during the year	Deletions/ Adjustments during the year	**As at 31-03-2012**	As at 01-04-2011	Charge for the year	On deletions during the year	**As at 31-03-2012**	**As at 31-03-2012**	As at 31-03-2011
a **Tangible Assets**										
Leasehold Improvements in Buildings on operating lease	920	6	70	**856**	388	112	48	**452**	**404**	532
Furniture & Fixtures	111	9	7	**113**	72	4	6	**70**	**43**	39
Vehicles	248	56	26	**278**	92	66	26	**132**	**146**	156
Office Equipments	722	24	48	**698**	434	92	41	**485**	**213**	288
Others										
Computer and peripherals	2,898	327	90	**3,135**	2,133	422	86	**2,469**	**666**	765
Total	**4,899**	**422**	**241**	**5,080**	**3,119**	**696**	**207**	**3,608**	**1,472**	**1,780**
b **Intangible Assets**										
Bombay Stock Exchange Card	288	0	-	**288**	288	-	-	**288**	**0**	-
Computer software	1,515	274	-	**1,790**	1,387	83	-	**1,470**	**320**	128
Website Costs	110	22	-	**132**	8	26	-	**34**	**98**	102
Total	**1,913**	**296**	**-**	**2,210**	**1,683**	**109**	**-**	**1,792**	**418**	**230**
Grand Total	**6,812**	**718**	**241**	**7,290**	**4,802**	**805**	**207**	**5,400**	**1,890**	**2,010**
Previous year	**5,735**	**1,161**	**84**	**6,812**	**4,029**	**846**	**73**	**4,802**	**2,010**	**1,706**

Notes forming part of the Financial Statements (Contd.)

	As at 31 March, 2012	As at March 31, 2011
		(Rs. in Lacs)
Note 11: Non-Current Investments		
Non Trade, Long term, Investments (valued at cost)		
Unquoted		
(a) Investment in Equity instruments		
130,000 Equity shares of Bombay Stock Exchange Limited, of Rs 1/- each fully paid *	**-**	-
Quoted		
(b) Investments in debentures or bonds		
840 units of State Bank of India - Series 2 Lower Tier II Bonds, of Rs. 10,000/- each fully paid	**84**	84
Total	**84**	84
Footnotes		
1. Aggregate amount of quoted investments	**84**	84
2. Aggregate amount of quoted investments (Market value net of accrued interest)	**76**	82
3. Aggregate amount of unquoted investments *	**-**	-
* less than Rs. 50,000/-		

	As at 31 March, 2012	As at March 31, 2011
Note 12: Long-Term loans and advances		
a. Capital Advances		
Unsecured, considered good	**35**	149
b. Security Deposits		
Unsecured, considered good	**197**	210
Unsecured, considered doubtful	**6**	6
Less: Provision for doubtful deposits	**(6)**	(6)
	197	210
c. Other loans and advances		
Unsecured, considered good		
Prepaid Expenses	**6**	8
Deposit with Stock Exchanges	**211**	211
Margin monies with clearing member	**13**	13
Advance Payment of Income Tax [Net of provisions for taxation Rs. 10,879 lacs (March 31, 2011 Rs. 9,345 lacs)]	**233**	258
Advance Payment of Fringe Benefit Tax (Net) *	**-**	-
Other Advances recoverable in cash or in kind or for value to be received	**3**	4
	466	494
Unsecured considered doubtful of recovery		
Receivable from clients	**34**	33
Less: Provision for doubtful loans and advances	**(34)**	(33)
	-	-
Total	**698**	853

* less than Rs. 50,000/-

Notes forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

	As at 31 March, 2012	As at March 31, 2011
Note 13: Other non current assets		
Balances with Banks in deposit accounts		
(i) Maturity more than 12 months		
Lien marked deposits	**9,825**	5,530
Total	**9,825**	5,530
Note 14: Trade Receivables		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	**-**	41
Unsecured, considered doubtful of recovery	**9**	3
Less: Provision for doubtful debts	**(9)**	(3)
	-	41
Other Trade Receivables		
Unsecured, considered good	**100**	142
Unsecured, considered doubtful of recovery	**-**	2
Less: Provision for doubtful debts	**-**	(2)
	100	142
Total	**100**	183
Note 15: Cash and Cash Equivalents		
a. Cash on Hand *	**-**	-
b. Imprest Cash *	**-**	-
c. Balances with Banks		
(i) In current accounts	**9,172**	10,396
(ii) In deposit accounts		
(a) Term deposits with original maturity of more than 3 months but maturing within 12 months of the balance sheet date		
- Lien marked deposits	**13,219**	14,098
- Other deposits	**1,000**	-
(b) Term deposits with maturity of more than 12 months	**990**	5
(iii) In earmarked accounts		
- Unpaid dividend accounts	**1**	1
Total	**24,382**	24,500

* less than Rs. 50,000/-

Footnote:

Of the above, the balances which meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statement is -	**9,172**	10,396

Notes forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

	As at 31 March, 2012	As at March 31, 2011
Note 16: Short-term loans and advances		
Loans and advances to other than related parties		
Unsecured, considered good		
Prepaid Expenses	**120**	117
Receivable from Exchanges	**4,997**	12,884
Receivable from Clients	**3,331**	2,448
Other Advances recoverable in cash or in kind or for value to be received	**75**	142
	8,523	15,591
Unsecured, considered doubtful of recovery		
Receivable from clients *	**-**	2
Less: Provision for doubtful loans and advances *	**-**	(2)
Total	**8,523**	15,591
* current year less than Rs. 50,000/-		
Note 17: Other Current Assets		
Interest accrued on Bank Fixed Deposits	**121**	107
Interest accrued on State Bank of India Bonds	**8**	3
Unbilled Revenue	**246**	418
Service Tax Receivable	**5**	6
Total	**380**	534
Note 18: Revenue from Operations		
Brokerage Income	**16,843**	20,626
Fee Income	**2,223**	3,832
Total	**19,066**	24,458
Note 19: Other Income		
Interest on fixed deposits	**1,786**	1,229
Interest on loans and deposits	**27**	58
Other interest	**-**	113
Interest on non-current investments	**8**	8
Dividend on non-current investments	**5**	5
Income from current investments	**102**	53
Miscellaneous income	**7**	128
Total	**1,935**	1,594
Note 20: Employee benefits expenses		
(a) Salaries, wages and bonus	**6,656**	7,448
(b) Contributions to provident and other funds	**232**	225
(c) Staff training and welfare expenses	**389**	375
(d) Staff on deputation	**-**	25
Total	**7,277**	8,073
Note 21: Finance Costs		
Bank guarantee charges	**33**	49
Bank charges	**2**	2
Interest paid - others *	**-**	-
Total	**35**	51

* previous year less than Rs. 5,000/-

Notes forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

	Year ended 31 March, 2012	Year ended 31 March, 2011
Note 22: Other Expenses		
Other Expenses		
Stamp, registration and trading expenses	34	726
Outsourcing and professional fees	881	789
Directors sitting fees	7	6
Repairs and Maintenance		
- Buildings	216	203
- Others	483	464
Rent	975	1,057
Rates and Taxes	38	39
Membership and subscription	81	98
Advertisement and marketing	235	289
Commission	59	26
Electricity	182	202
Auditors' Remuneration (excluding service tax)		
- Audit fees	11	9
- Other matters *	-	-
- Out of pocket expenses *	-	-
Website maintenance expenses	30	53
Printing and stationery	102	129
Insurance	34	18
Travelling and conveyance expenses	308	268
Postage and communication expenses	1,012	1,005
SEBI turnover fees	11	13
Wealth tax	1	1
Provision for doubtful debts	2	3
Loss on sale of fixed assets (Net)	25	1
Miscellaneous Expenses	151	92
Total	**4,878**	**5,491**

* previous year less than Rs. 50,000/-

Notes forming part of the financial statement

23.1. Contingent liabilities

a) Bank Guarantees Rs. 1,600 lacs (previous year - Rs. 4,100 lacs). These are issued in favour of the Exchanges to meet margin requirements.

b) Claims against the Company not acknowledged as debt: For disputed trades – Rs. 82 lacs (previous year – Rs.30 lacs) & Others – Rs. 5 lacs (previous year – 2 lacs).

c) Service tax demands, net of amounts paid for Rs. 15 lacs (previous year – Rs. 15 lacs).

23.2. Pending capital commitments

As at 31 March, 2012 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. 53 lacs (previous year - Rs 138 lacs).

23.3. a) Expenditure in Foreign Currency

(Rs. in Lacs)

	FY 2011-12	FY 2010-11
Others	14	11
Total	**14**	**11**

b) Earnings in Foreign Currency

(Rs. in lacs)

	FY 2011-12	FY 2010-11
Consultancy Fees	2	**Nil**
Total	**2**	**Nil**

Note 24: Accounting Standards disclosure

24.1. In terms of the Accounting Standard 15 on Employee Benefits (AS-15) as notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures have been made as required by the Standard:

The Company makes contributions towards provident fund and family pension fund to 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 fund is unfunded.

A sum of Rs. 191 lacs (Previous Year Rs. 189 lacs) has been charged to the revenue account towards provident fund, family pension fund and superannuation fund.

The Company operates funded post retirement defined benefit plans for gratuity, details of which are as follows:

(i). Reconciliation of Defined Benefit Obligation

(Rs. in Lacs)

Particulars	**FY 2011-12**	**FY 2010-11**
Opening Defined Benefit Obligation	104	72
Current Service Cost	34	30
Interest Cost	9	6
Actuarial Losses / (Gain)	4	1
Benefits paid	(5)	(5)
Closing Defined Benefit Obligation	**146**	**104**

(ii). Reconciliation of Fair value of Plan Assets (Rs. in lacs)

Particulars	**FY 2011-12**	**FY 2010-11**
Opening Fair value of Plan Assets	32	35
Expected return on Plan Assets	3	3
Contributions	60	0
Benefits paid	(5)	(5)
Actuarial Gain / (Loss)	2	(1)
Closing Fair Value of Plan Assets	**92**	**32**

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

Particulars	**FY 2011-12**	**FY 2010-11**
Present Value of Funded Obligation	146	104
Fair Value of Plan Assets	92	32
Net Liability Recognised in the Balance Sheet	**(54)**	**(72)**

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

(Rs. in Lacs)

Particulars	**FY 2011-12**	**FY 2010-11**
Current Service Cost	34	31
Interest Cost	9	6
Expected return on Plan Assets	(3)	(3)
Actuarial Losses / (Gain) - (net)	2	1
Net gratuity expenses recognized in the Statement of Profit and Loss	**42**	**35**

(v). Description of Plan Assets

Particulars	FY 2011-12 % Invested	FY 2010-11 % Invested
Debentures/Bonds	42	71
Equity	12	10
Government Securities	36	12
Other assets	10	7
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 and the Life Insurance Corporation of India.

(vi). Experience Adjustments

(Rs. in Lacs)

Particulars	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09	FY 2007-08
Defined Benefit Obligation	146	104	72	49	33
Fair value of Plan Assets	92	32	35	22	17
Surplus/(Deficit)	(54)	(72)	(37)	(27)	(16)
Experience Adjustments on Plan liabilities (Gain) / Loss	(2)	7	1	(4)	*
Experience Adjustments on Plan Assets (Loss) / Gain	(1)	(1)	1	(0)	*

* Information not available

(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 2011-12	FY 2010-11
Discount Rate	8.50 %	8.50 %
Expected rate of return on Assets	8.60 %	8 %
Salary Escalation Rate	6 %	5 %
Mortality	Published notes under the LIC (1994-96) mortality tables	Published notes under the LIC (1994-96) mortality tables

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 2011-12	FY 2010-11
Expected Return on Plan Assets	3	3
Actuarial gain/(loss) on Plan Assets	1	(1)
Actual return on Plan Assets	4	2

(ix). Other Details

The Employer's best estimate of the contributions expected to be paid to the plan during the next year – Rs. 90 lacs (FY 2010-11 – Rs. 40 lacs).

24.2. 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. Aseem Dhru, Managing Director

   Mr. Santosh Haldankar, Whole Time Director

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	1,374 (5,872)	Nil (Nil)	Nil (Nil)
Refund of fixed deposits	2,953 (4,806)	Nil (Nil)	Nil (Nil)

Rendering of services (including recoveries of expenses)	934 (577)	3 (2)	Nil (Nil)
Receiving of services (including payment of expenses)	1,516 (1,498)	5 (2)	Nil (Nil)
Interest received	96 (210)	Nil (Nil)	Nil (Nil)
Interest paid	Nil (0)*	Nil (Nil)	Nil (Nil)
Loans received	Nil (2,600)	Nil (Nil)	Nil (Nil)
Loans repaid	Nil (2,600)	Nil (Nil)	Nil (Nil)
Dividend Paid	57 (44)	Nil (Nil)	Nil (Nil)
Purchase of fixed assets	Nil (2)	Nil (Nil)	Nil (Nil)
Remuneration to Key Management Personnel	Nil	Nil	
Aseem Dhru			221 (164)
Santosh Haldankar			26 (22)

Balances outstanding:

Receivables	Nil (Nil)	0* (Nil)	Nil (Nil)
Payables	Nil (Nil)	Nil (Nil)	Nil (Nil)
Bank balances	9,151 (10,241)	Nil (Nil)	Nil (Nil)
Fixed deposits	1,379 (2,958)	Nil (Nil)	Nil (Nil)
Accrued interest on fixed deposit – receivable	22 (27)	Nil (Nil)	Nil (Nil)
Accrued expenses	92 (46)	Nil (Nil)	Nil (Nil)
Unbilled revenue	164 (116)	Nil (Nil)	Nil (Nil)
Advances	15 (10)	Nil (Nil)	Nil (Nil)
Bank guarantees	Nil (700)	Nil (Nil)	Nil (Nil)
Deposit received	1 (1)	Nil (Nil)	Nil (Nil)

Figures in brackets pertain to the previous year.

* less than Rs. 50,000 /-

24.3. 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, which range between 33 months and 9 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 Schedule 11.

The future minimum lease payments are as follows**:**

(Rs. in lacs)

	FY 2011-12	FY 2010-11
Not later than one year	816	950
Later than one year but not later than five years	2,922	3,462
Later than five years	1,012	1,926

24.4. 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.

(ii) The Company has not issued any (previous year – Nil) options during the year. Since the Exercise Price is the same as the fair value of the share as at the grant date, there is no dilution in the Equity Share Capital and hence the weighted average number of Equity Shares for computation of Basic and Diluted Earnings per Share would be 15,079,132.

Particulars	FY 2011-12	FY 2010-11
a. Weighted average number of equity shares for basic and diluted earnings per share Nos.	15,079,132	15,003,040
b. Net profit after tax available for equity shareholders Rs. in lacs	5,409	7,716
c. Basic and Diluted earnings per share of Rs. 10 each Rs.	35.87	51.43

24.5. Taxation

a) Provision for current tax includes interest – Rs. 32 lacs (previous year Rs. 10 lacs).

b) Deferred Tax

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

(Rs. in Lacs)

Assets	31 March, 2012	31 March, 2011
Provision for employee benefits	94	25
Provision for Doubtful debts	16	3
Depreciation	25	32
Provision for lease liability	93	-
Total Deferred tax asset	**228**	**60**

24.6. Segment Reporting

The Company's business is to provide brokerage services to its clients in the capital markets within India. All other activities of the Company revolve around the main business. As such, there are no reportable segments as per the Accounting Standard on Segment Reporting (AS-17), under the Companies (Accounting Standards) Rules, 2006.

Note 25: Accounting for Employee Share based Payments

The Shareholders of the Company approved a stock option scheme (viz. ESOS–001) in February 2010 ("Company Options"). Under the terms of the scheme, the Company issues stock options to employees, whole time director, managing director and directors of the Company, each of which is convertible into one equity share. Scheme ESOS-001 provides for the issuance of options at the recommendation of the Compensation Committee of the Board (the "Compensation Committee") at a price of Rs 135/- per share, being the fair market value of the share arrived by a category 1 merchant banker.

Further, the Company had issued shares to its Employee Welfare Trust as per an old ESOP plan ("EWT Options"), in terms of which the trust grants options to its employees.

Such options vest at a definitive date, 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, subject to a maximum of two years from the date of vesting.

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 as at 31 March, 2012

Particulars	EWT Options	Company Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	100,212	442,550	135.00
Granted during the year	-	-	-
Exercised during the year	100,212	61,050	135.00
Forfeited during the year	-	5,600	135.00
Lapsed during the year	-	4,500	135.00
Options outstanding, end of the year	-	371,400	135.00
Options exercisable	-	172,300	135.00

Activity in the options outstanding under the Employees Stock Options Plan as at 31 March, 2011

Particulars	EWT Options	Company Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	225,020	542,750	131.48
Granted during the year	-	-	-
Exercised during the year	109,808	67,700	119.76
Forfeited during the year	15,000	32,500	135.00
Lapsed during the year	-	-	-
Options outstanding, end of the year	100,212	442,550	135.00
Options exercisable	-	88,525	135.00

Following summarises the information about stock options outstanding as at 31 March, 2012

Plan	Range of exercise price (Rs.)	Number of shares arising out of options	Weighted average life of unvested options (in years)	Weighted average exercise price (Rs.)
Company Options	135.00	371,400	2.28	135.00
EWT Options	-	-	-	-

Following summarises the information about stock options outstanding as at 31 March, 2011

Plan	Range of exercise price (Rs.)	Number of shares arising out of options	Weighted average life of unvested options (in years)	Weighted average exercise price (Rs.)
Company Options	135.00	442,550	3.14	135.00
EWT Options	135.00	100,212	0.50	135.00

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the 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 during the year ended 31 March, 2010 are:

Particulars	**EWT Options**	**Company Options**
Dividend Yield	Nil	Nil
Expected volatility	73.56% to 79.04%	71.53% to 72.67%
Risk – free interest rate	6.53% to 8.19%	6.22% to 7.18%
Expected life of the option	0 - 2 years	0 - 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:

Particulars	**As at 31 March, 2012 (Rs. in Lacs)**	**As at 31 March, 2011 (Rs. in Lacs)**
Net Profit (as reported)	5,409	7,716
Add: Stock based compensation expense included in net income	-	-
Less: Stock based compensation expense determined under fair value based method (pro forma)	(83)	(198)
Net Profit (pro forma)	5,326	7,518
Particulars	**(Rs.)**	**(Rs.)**
Basic and diluted earnings per share (as reported)	35.87	51.43
Basic and diluted earnings per share (pro forma)	35.32	50.11

Note 26: Comparative figures

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

For and on behalf of the Board

ASEEM DHRU
Managing Director

SANTOSH HALDANKAR
Whole time Director & Company Secretary

BHARAT SHAH
Chairman

Place : Mumbai
Date : 12 April, 2012

HDFC securities

HDFC SECURITIES LIMITED ENTRANCE PASS

(To be presented at the entrance)

ATTENDANCE SLIP : 12th ANNUAL GENERAL MEETING ON MONDAY, 18 JUNE, 2012 AT 11.30 A.M.
at HDFC Bank House, 6th Floor, S. B. Marg, Lower Parel, Mumbai 400 013.

Folio No ……………………………. , DP ID No ………………………………, Client A/c. No ……………………………………………………

Name of the Shareholder : ……………………………………………………………………………………………………

Signature of the Shareholder / Proxy / Company Representative : ……………………………………………………………

No. of Shares held ....

(only shareholders / proxies / Company Representative are allowed to attend the meeting)

HDFC SECURITIES LIMITED PROXY FORM

I / We ………………………………………………………………of …………………………… being member(s) of HDFC Securities Limited hereby appoint ……………………………… of ………………………………… in the district of …………………………………… failing whom …………………………………… of …………………………………… in the district of …………………………………… as my / our proxy to attend and vote for me / us and on my / our behalf at the Twelfth Annual General Meeting of HDFC Securities Limited to be held onMonday, 18 June, 2012 and at any adjournment thereof.

Folio No. ………………… DPID No. ………………… Client A/c. No. …………………

No. of shares held ……………………………

AFFIX
30 PAISE
REVENUE
STAMP

Signed this ………………… day of.................................... , 2012. Signature across Revenue Stamp

BANK ACCOUNT PARTICULARS / ECS MANDATE FORM

I / We ……………………………………………………………………………………………………… do hereby authorise HDFC Securities Limited.

* To Print the following details on my / our dividend warrant
* To Credit my dividend amount directly to my Bank account by NECS/ECS/Direct Credit in HDFC Bank A/c (if any).

(* Strike out whichever is not applicable.) **My / our Folio No. :** ……………………………………………………

Particulars of Bank Account : **DP ID No.**……………………**Client A/c. No.**……………………………

A. Bank Name : ………………………………………………………………………………

B. Branch Name : ………………………………………………………………………………

Address (for Mandate only) : ………………………………………………………………………………

C. 9 Digit Code number of the bank & branch as appearing on the MICR cheque : ………………………………………………………………………………

D. Account Type (Saving / Current) : ………………………………………………………………………………

E. Account No. as appearing on the cheque book : ………………………………………………………………………………

F. STD Code & Telephone No. : ………………………………………………………………………………

I/We shall not hold the Company responsible if the NECS/ECS could not be implemented or the Company discontinue(s) the NECS/ECS, for any reason.

MAIL TO * **Datamatics Financial Services Ltd,** Unit: HDFC Securities, Plot No. B-5, Part B Cross Lane, MIDC, Andheri (East), Mumbai 400093 or **to your Depository Participant if you hold shares in electronic form.**

……………………………………………………
Signature of the Shareholder(s)

Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the 9 digit code number.

In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank account particulars/ECS mandate.