



TOP SECTORS

OIL DRILL / ALLIED

5

GLASS & GLASS
PRODUCTS

2 12

DRY CELLS

1 3

GLOBAL INDICES

HANG
SENG23,614.86
0.37%STRAITS
TIMES3,116.93
0.36%NASDAQ
2,781.07
0.15%DJIA
12,319.73
0.25%Annual Report
2011

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**HDFC securities**

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 (E),
Mumbai - 400 042
Tel No. : 30753454
Fax No.: 30753435
Website : www.hdfcsec.com

Registrar & Share Transfer Agents

Datamatics Financial Services Limited,
Plot No A.16 & 17,
Part B Crosslane,
MIDC, Marol,
Andheri (East),
Mumbai - 400 093
Tel. No.: 66712214
Fax No.: 28213404

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Eleventh Annual Report on the business and operations of the Company together with audited accounts for the year ended 31 March 2011.

FINANCIAL RESULTS

(Rs. in Crores)

	Year ended 31-3-2011	Year ended 31-3-2010
Total Income	260.51	235.31
Total Expenses	136.14	105.94
Profit before depreciation	124.37	129.37
Depreciation and Amortisation	8.46	7.94
Profit before tax	115.91	121.43
Provision for Tax	38.75	43.25
Profit after tax	77.16	78.18
Balance brought forward	130.40	53.09
Amount available for appropriation	207.56	131.27
Proposed dividend	0.90	0.75
Tax including surcharge and education cess on dividend	0.15	0.12
Balance carried over to Balance Sheet	206.51	130.40

OPERATIONS

During the year under review, the Company's total income amounted to Rs. 260.51 crores as against Rs. 235.31 crores in the previous year, a growth of 10.71%. The operations have resulted in a net profit after tax of Rs. 77.16 crores as against Rs. 78.18 crores in the previous year. The Company's focus is primarily to emerge as a full-fledged financial services provider offering a bouquet of financial services alongwith the core broking product. The Company continued strengthening its distribution network and by the end of the year has a branch network of 150 branches across the country including separate linguistic call centres within these branches to cater to the financial needs of its customers across the country.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic Outlook

For India, the year 2010 was a year of contrasts. On one hand, the economy revived with steady growth, but inflation remained a concern and reforms were sluggish. Divestments and the 3G auction went off better than expected but governance hit a new low, as corruption charges against the government dampened overall morale, affected its functioning and paralyzed the entire winter session of Parliament.

While the stock market is still below its 2008 high, agri commodities and some metals (base as well as precious) have crossed their peaks a while ago. Agri-commodities by far have been one of the best performing asset classes for 2010.

India's IIP growth fell to 3.7% in January 2011. India's six core industries grew by 6.8 per cent in February 2011. Indian economy slowed to 8.2% real growth y-o-y in Q4CY10, from 8.9% y-o-y in Q3CY10. However most economists/institutions still maintain a GDP growth forecast of 7.5% to 8.5% for India in FY12. Even as the index of industrial production (IIP) continues to be volatile, other indicators, such as the latest Purchasing Managers' Index (PMI), direct and indirect tax collections, merchandise exports and bank credit, suggest that the growth momentum persists.

The Reserve Bank had expressed concern about the widening of the current account deficit (CAD) and the nature of its financing in its Third Quarter Review. Going by the recent robust export performance, CAD for 2010-11 is now estimated to come lower than earlier expected, at around 2.5 per cent of GDP. While the CAD this year has been financed comfortably, it is necessary to focus on the quality of capital inflows with greater emphasis on attracting long-term components, including foreign direct investment (FDI), so as to enhance the sustainability of the balance of payments (BoP) over the medium-term.

With exports growing at a much faster rate than imports, India's trade deficit during April-Feb 2010-11 declined to \$97.06 bn from \$100.24 bn in the same period previous fiscal (exports up 31.4%, imports up 21.2%). The exporting sectors, which performed well during the 11 months of fiscal, include engineering, petroleum and oil lubricants, cotton yarn and made-ups, chemicals and electronics. The Centre's fiscal deficit during April-Feb 2010-11 worked out to be 68.6% of the estimates, compared to 92% in the same period last year, showing improvement in the fiscal position.

India's foreign exchange reserves rose by \$26.4 bn to \$303.48 bn during the year ended March 25, 2011. On a BoP basis, India's trade deficit widened to \$ 102.1 bn during April-December 2010

(\$ 86.8 bn during April-December 2009) mainly due to higher absolute increase in imports relative to exports on the back of robust domestic economic performance. Net invisibles surplus increased to \$ 63.2 bn during April-December 2010 (\$ 61.2 bn last year) mainly due to higher increase (41.2%) in services exports. Net capital inflows increased significantly to \$ 52.7 bn during April-December 2010 (\$ 37.6 bn a year ago) driven by higher net inflows under FII investments, external assistance, short-term trade credits, ECBs and banking capital.

The recent global crisis has shown that monetary policies in advanced countries do have spillover effect on emerging market economies (EMEs). For instance, persistence of low interest rates in advanced economies, by increasing the interest rate differential could push excessive capital flows to EMEs in search of higher returns, thus exposing these economies to the risk of reversal unrelated to their fundamentals. Excessive inflows could accentuate asset prices and put upward pressure on exchange rate.

The global scenario presents a mixed picture. While growth in EMEs remains strong, that in the US and the Euro area is now gaining momentum. However, the sharp increase in oil prices as a result of the turmoil in the Middle East and North Africa is adding uncertainty to the pace of global recovery. Further, coming on top of already elevated food and other commodity prices, the spike in oil prices has engendered inflation concerns.

Consequently, an increasing number of EMEs have begun monetary tightening, while the debate on exit from the accommodative monetary stance has come to the fore in the advanced economies. ECB raised interest rates in early April 2011 by 25 bps for the first time in nearly three years.

India's consumption story remains buoyant. As in 2010, the market for skilled labour remains buoyant led by the service sector. US tech spending, supported by higher corporate free cash flow and the need to reduce cost pressure, would remain strong, spurring additional hiring by the IT and ITeS sectors. We believe a skilled labour shortage (reinforced by slowing population growth rate - as per the latest census), coupled with the aggressive hiring plans by IT and ITeS, could exert upward pressure on salaries across other sectors. This augurs well for urban-consumption demand. Rural consumption is likely to remain strong supported by higher support prices for agricultural products and higher government redistributive expenditure. We feel that consumption could be a major growth driver for the economy going forward.

FY12 will test India Inc's resilience further, given the challenging macroeconomic factors related to soaring costs of raw materials

and expensive borrowing costs due to rising interest rates. While rising costs can be passed over to the consumers upto a point, there exists a risk of slowdown in consumption in case, prices continue to rise unabatedly. Such a situation, if it develops, could take a few quarters to reverse, affecting corporate sales and profit growth.

Capital Market:

After making a low in late May 2010, India's equity markets rose continuously till early November 2010 when the Sensex crossed 21,000. The broader markets underperformed as did most of sectoral indices. Later the markets corrected all the way to 17,296 from where a sharp bounce was seen. Participation from the domestic investors (including institutions) remained subdued. A sharp shift was witnessed in trading activity from delivery (average daily volumes on NSE down 17.3% y-o-y) to F&O market (especially options) (average daily volumes on NSE up 59.1% y-o-y). This had an impact on the brokerage yields for all industry participants.

FIIs were net buyers worth Rs. 1426.6 bn in FY10 & Rs. 1462.9 bn in FY11 as compared to being net buyers of Rs. 661.8 bn in FY08. Despite this the Indian markets did not breach the highs made in Jan 2008 due to large primary issuances in FY10 and FY11, domestic selling & FIIs' unwillingness to buy at higher levels. It took nearly \$29 bn in investor flows in CY10 to cause the market to rise steadily until Nov 2010 but relatively tiny outflows later have caused sharp reversals. For markets to surpass the all time high, the retail participation (directly or through mutual funds) is important.

The financial year 2011-12 has commenced on a positive note. However as in some other emerging economies, inflation remains a key concern for India. The drivers of inflation have changed from food, fuel and power and primary non-food articles till October 2010 to manufactured non-food items since November 2010. The impending end of QE2 by the US in June 2011 could have repercussions across all asset markets including commodities, equity, bonds and currencies. China's policy action on monetary tightening to slow down their economic growth rate will also have its own impact on commodity prices and global growth rate. Outcome of state elections in India in May 2011 would also be keenly watched to judge its impact on political equations. Continued foreign fund flows and strong risk appetite are essential for Indian markets to come out of rangebound move.

DIVIDEND

Your Directors are pleased to recommend a dividend of 6% for the year ended 31 March 2011. 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 an award as the best e-brokerage house (runner-up) at the Outlook Money Awards (Personal Finance) 2010.

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 NGO to promote educational and social initiatives.

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, employee services to old age homes, clothes donation and distribution of computers to the underprivileged classes of society. 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 schedule 13 (point no. 4) of the Financial statements.

DIRECTORS:

Mr. Abhay Aima and Ms. Latika Monga retire by rotation at the ensuing Annual General meeting and are eligible for re-appointment.

The Board at its meeting held on 2 February 2011 re-appointed Mr. Aseem Dhru as Managing Director of the Company for a period of 3 years from 7 April 2011 to 6 April 2014 subject to the approval of the shareholders at the ensuing Annual General Meeting.

The Board at its meeting held on 25 October 2010 also re-appointed Mr. Santosh Haldankar as Whole Time Director of the Company for a period of 3 years from 10 January 2011 to 9 January 2014, subject to the approval of the shareholders at the ensuing Annual General Meeting.

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 1,56,225 stock options vested on 17 February 2011 out of which 67,700 stock options were exercised by eligible employees. The money realised due to exercise of the said options was Rs. 91,39,500/- and consequently 67,700 equity shares of Rs. 10/- each have been allotted to the concerned employees. A detailed note on this subject is placed in the notes forming part of the accounts at point no. 14.

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, 2011 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.

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
Date: 13 April, 2011

Bharat Shah
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	41	Managing Director	1 January 2008	1,61,58,987	16	HDFC Bank Ltd
Mr. C.V. Ganesh B.Com, CA, CWA	39	Chief Financial Officer & Head - Operations	2 May 2008	60,90,140	17	Citi Technology Services Ltd.
Mr. Siddharth Shah \$ B.Com	51	Head - Branch Sales	1 June 2010	71,23,628	30	HDFC Bank Ltd
Mr. Vinod Sharma B.Com, MBA	50	Head - Pvt Broking & Wealth Mgt.	October 30, 2009	61,52,316	26	Anagram Securities Limited

Employed for part of the year

Mr. Manish Dabir B.Com	36	Head, Institutional Business	July 31, 2009	78,30,519	15	JM Financial Institutional Securities Pvt. Ltd.
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\$ - Staff on deputation for part of the year

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.

**AUDITORS' REPORT
TO THE MEMBERS OF
HDFC SECURITIES LIMITED**

1. We have audited the attached Balance Sheet of **HDFC SECURITIES LIMITED** ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (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 Profit and Loss Account 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 Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

Nalin M. Shah
Partner
(Membership No.15860)

MUMBAI, 13 April, 2011

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, clauses (ii), (viii), (x), (xiii), (xiv), (xv), (xvi), (xviii), (xix), (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the 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) The Company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) 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 the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements that needed to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public within meaning of Sections 58A & 58AA of the Companies Act, 1956.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Service Tax, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
 - (c) Details of dues of Income-tax, Wealth Tax, Service Tax, and Cess which have not been deposited as on 31st March, 2011 on account of disputes are 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	16.11
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 2007-08	52.74
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 2008-09	3.89
Finance Act, 1994	Service Tax	Commissioner of Central Excise (Appeals)	Financial Years 2004-2005 and 2005-2006	3.77
Finance Act, 1994	Service Tax	Commissioner of Central Excise	Financial Years 2005-2006 to 2008-2009	11.07

- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (x) In our opinion, 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.
- (xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 117366W)

Nalin M. Shah
Partner

(Membership No. 15860)

MUMBAI, 13 April, 2011

Balance Sheet as at 31 March, 2011

			As at 31 March, 2011	(Rs '000) As at 31 March, 2010
Sources of funds				
Shareholders' funds				
Share Capital	1	150,687	150,010	
Reserves and Surplus	2	<u>2,345,070</u>	<u>1,575,536</u>	1,725,546
Total			<u><u>2,495,757</u></u>	<u><u>1,725,546</u></u>
Application of funds				
Fixed Assets	3			
Gross Block		681,219	573,510	
Less: Depreciation and Amortisation		<u>480,193</u>	<u>402,864</u>	
Net Block			201,026	170,646
Capital Work-in-Progress			1,841	18,394
Investments	4		8,410	10
Deferred Tax Assets			5,958	6,451
Current assets, Loans and advances				
Sundry Debtors	5	1,565,122	779,763	
Cash and Bank balances	6	3,002,985	2,295,398	
Loans and Advances	7	<u>138,894</u>	<u>100,924</u>	
		4,707,001	3,176,085	
Less:				
Current liabilities and Provisions	8			
Current liabilities		2,404,730	1,628,284	
Provisions		<u>23,749</u>	<u>17,756</u>	
		2,428,479	1,646,040	
Net Current assets			<u><u>2,278,522</u></u>	<u><u>1,530,045</u></u>
Total			<u><u>2,495,757</u></u>	<u><u>1,725,546</u></u>

The attached notes form part of the Accounts 13

In terms of our report of even date attached.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

NALIN M. SHAH
Partner

Place : Mumbai
Date : 13 April, 2011

For and on behalf of the Board

BHARAT SHAH
Chairman

ASEEM DHURU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

Profit and Loss Account for the year ended 31 March, 2011

		Year ended 31 March, 2011	(Rs '000) Year ended 31 March, 2010
Income	Schedule		
Brokerage income (See Note 13)		2,062,589	1,948,449
Fee Income		383,200	266,079
Other income	9	159,349	138,571
		<u>2,605,138</u>	<u>2,353,099</u>
Expenditure			
Payments to and provisions for employees	10	807,241	580,113
Operating expenses	11	549,099	471,102
Finance charges	12	5,085	8,166
		<u>1,361,425</u>	<u>1,059,381</u>
Profit before depreciation and tax		1,243,713	1,293,718
Less: Depreciation and Amortisation		84,606	79,385
Profit before Tax		1,159,107	1,214,333
Provision for taxation			
Current tax [See Note 9 (a)]		387,000	448,000
Deferred tax		493	(15,483)
Profit after Tax		771,614	781,816
Add: Balance brought forward from previous year		1,303,954	530,885
Amount available for appropriation		<u>2,075,568</u>	<u>1,312,701</u>
Appropriation :			
a) Proposed dividend		9,041	7,501
b) Tax on dividend		1,502	1,246
c) Balance carried to Balance Sheet		2,065,025	1,303,954
		<u>2,075,568</u>	<u>1,312,701</u>
Earnings per Share (Basic & Diluted) (Rs)		51.21	52.12

(Face Value Rs 10)- (See Note 8)

The attached notes form part of the Accounts

13

In terms of our report of even date attached.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

NALIN M. SHAH
Partner

Place : Mumbai
Date : 13 April, 2011

For and on behalf of the Board

BHARAT SHAH
Chairman

ASEEM DHURU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

Cash Flow Statement for the year ended 31 March, 2011

Particulars	(Rs. '000)	
	Year ended 31 March, 2011	Year ended 31 March, 2010
(A) Cash flows from Operating activities :		
Net Profit before taxation	1,159,107	1,214,333
Adjustments for :		
Interest earned on Loans and Deposits	(5,824)	(3,216)
Loss on sale / write off of Fixed Assets	125	2,283
Dividend received	(6,604)	(7,153)
Provision for Doubtful Debts	320	1,927
Provision for Wealth Tax	127	107
Depreciation and Amortisation	84,606	79,385
Interest paid	35	1,437
Provision for Employee benefits	4,163	2,420
Operating profit before working capital changes	1,236,055	1,291,523
Adjustments for changes in working capital :		
Sundry Debtors	(785,931)	(530,833)
Loans and advances	(25,628)	24,551
Fixed deposits with Scheduled Banks under Lien	(703,923)	(164,877)
Current liabilities and provisions	776,383	558,307
Cash generated from Operations	496,956	1,178,671
Direct taxes paid (net of refunds)	(399,183)	(468,309)
Net Cash from Operating activities	97,773	710,362
(B) Cash flows from Investing activities :		
Additions to Fixed Assets and Capital work in progress	(99,523)	(98,932)
Proceeds from sale of Fixed Assets	965	1,779
Bonds	(8,400)	-
Interest received	5,824	3,216
Dividend received	6,604	7,153
Net Cash used in Investing activities	(94,530)	(86,785)
(C) Cash flows from Financing activities :		
Dividend Paid (including dividend tax)	(8,684)	(3,485)
Money received on exercise of stock options by employees	9,140	-
Interest paid	(35)	(1,437)
Net Cash generated from Financing activities	421	(4,922)
Net increase in cash and cash equivalents	3,664	618,656
Cash and cash equivalents at the beginning of the year	1,271,546	652,890
Cash and cash equivalents at the end of the year	1,275,210	1,271,546
Reconciliation		
Cash and cash equivalents at the end of the year	1,275,210	1,271,546
Add: Fixed deposits with Scheduled Banks under Lien	1,727,775	1,023,852
Cash and cash equivalents at the end of the year as per Schedule 6	3,002,985	2,295,398

In terms of our report of even date attached.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

NALIN M. SHAH
Partner

Place : Mumbai
Date : 13 April, 2010

For and on behalf of the Board

BHARAT SHAH
Chairman

ASEEM DHURU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

Schedules forming part of the Accounts

	(Rs. '000)
	As at
	31 March, 2011
	As at
	31 March, 2010
Schedule 1 - Share Capital	
Authorised	
20,000,000 Equity shares of Rs. 10 each	<u>200,000</u>
Issued, Subscribed and Paid-up	<u>150,687</u>
15,068,700 (previous year 15,001,000) Equity shares of Rs.10 each fully paid up.	<u>150,687</u>
(includes 12,000,800 shares allotted as fully paid-up by way of bonus shares out of securities premium account)	<u>150,010</u>
[8,849,839 (previous year 8,849,839) shares are held by the Holding Company - HDFC Bank Ltd.]	

Schedule 2 - Reserves and Surplus

Securities Premium Account		
Opening Balance	271,582	271,582
Additions during the year	<u>8,463</u>	-
	280,045	271,582
Profit and Loss Account	2,065,025	1,303,954
	<u>2,345,070</u>	<u>1,575,536</u>

Schedule 3 - Fixed assets

	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01-04-2010	Additions during the year	Deletions/ Adjustments during the year	As at 31 -03- 2011	As at 01-04-2010	Charge for the year	On deletions during the year	As at 31 -03- 2011	As at 31 -03- 2011	As at 31 -03-2010
<u>Intangible Assets</u>										
Bombay Stock Exchange Card	28,816	-	-	28,816	27,973	843	-	28,816	-	843
Computer Software	144,346	7,099	-	151,445	123,111	15,545	-	138,656	12,789	21,235
Website Costs	4,241	11,030	4,241	11,030	4,241	834	4,241	834	10,196	-
<u>Tangible Assets</u>										
Leasehold Improvements	70,081	21,947	-	92,028	28,389	10,413	-	38,802	53,226	41,692
Furniture & Fixtures	7,567	3,548	22	11,093	5,356	1,900	22	7,234	3,859	2,211
Computer Hardware	238,035	53,319	1,571	289,783	177,070	37,528	1,341	213,257	76,526	60,965
Office Equipments	62,778	9,467	39	72,206	31,266	12,181	27	43,420	28,786	31,512
Motor Cars	17,646	9,666	2,494	24,818	5,458	5,362	1,646	9,174	15,644	12,188
Total	573,510	116,076	8,367	681,219	402,864	84,606	7,277	480,193	201,026	170,646
Previous year	530,950	83,875	41,315	573,510	360,732	79,385	37,253	402,864	170,646	170,218

Schedules forming part of the Accounts (Contd.)

			(Rs. '000)
		As at	As at
		31 March, 2011	31 March, 2010
Schedule 4 - Investments (See note 12)			
Unquoted: (non trade) (at cost)			
Equity Shares (Long Term)			
1,30,000 Equity Shares of Re 1/- each fully paid-up of	10		10
Bombay Stock Exchange Limited			
Quoted: (non trade) (at cost)			
Bonds (Long Term)			
840 State Bank of India Bonds - Series 2 Lower			
Tier II Bonds of Rs. 10,000/- each	8,400		-
[Market value: Rs. 8,484 thousand (previous year - Nil)]	8,410		10
Schedule 5 - Sundry Debtors			
Outstanding for a period exceeding six months			
Unsecured - Considered Good	4,116	4,116	-
Unsecured - Considered Doubtful	3,235		2,726
Less : Provision for Doubtful Debts	3,235	-	2,726
Outstanding for a period of less than six months			
Secured - Considered Good	1,533,177		757,724
Unsecured - Considered Good	27,829	1,561,006	22,039
Unsecured - Considered Doubtful	424		363
Less : Provision for Doubtful Debts	424	-	363
	1,565,122		779,763
Schedule 6 - Cash and Bank Balances			
Cash on hand	16		10
In current accounts with Scheduled Banks	1,039,694		754,348
Fixed deposits with Scheduled Banks	1,963,275		1,541,040
[Including deposits under lien Rs 17,27,775 thousand (previous year Rs 10,23,852 thousand)]	3,002,985		2,295,398
Schedule 7 - Loans and Advances			
Unsecured, Considered Good			
Advances recoverable in cash or in kind or value to be received	91,464		64,566
Interest accrued on Investments	324		-
Other Current Assets	10,749		12,092
Deposit with Stock Exchanges	21,125		21,125
Margin monies with clearing member	1,300		1,300
Advance Tax (Net)	13,932		1,841
Unsecured, considered doubtful	1,029	1,280	
Less : Provision for doubtful advances	1,029	-	-
	138,894		100,924

Schedules forming part of the Accounts (Contd.)

			(Rs. '000)
		As at	As at
		31 March, 2011	31 March, 2010
Schedule 8 - Current Liabilities and Provisions			
Sundry Creditors (See Note 11)	2,355,388	1,584,069	
Other Liabilities	10,391	7,815	
Advance Fees	38,863	36,375	
Liability towards Investor Education and Protection Fund under Section 205 C of the Companies Act, 1956			
Unpaid Dividend (not due for transfer as on 31.03.2011 / 31.03.2010)	88	25	1,628,284
Provisions			
For taxes [Net]	146	112	
For employee benefits	13,060	8,897	
For Proposed Dividend	9,041	7,501	
For Tax on Dividend	1,502	1,246	
	23,749		17,756
	2,428,479		1,646,040
Schedule 9 - Other Income			
Interest on fixed deposits [TDS - Rs. 12,407 thousand (previous year Rs. 12,122 thousand)]	122,876		101,370
Interest on loans and deposits [TDS - Rs. 6 thousand (previous year Rs. 13 thousand)]	5,824		3,216
Other Interest	11,274		23,381
Dividend on Long Term Investments (non-trade)	520		520
Income from Current Investments (non-trade) (See Note 12)	6,084		6,633
Miscellaneous income	12,771		3,451
	159,349		138,571
Schedule 10 - Payments to and provisions for employees (See Note 3)			
Salaries, Wages and Bonus	744,752		517,655
Contribution to provident and other funds	22,475		14,384
Staff training and welfare expenses	37,471		19,784
Staff on Deputation	2,543		28,290
	807,241		580,113

Schedules forming part of the Accounts (Contd.)

		(Rs. '000)
	Year ended 31 March, 2011	Year ended 31 March, 2010
Schedule 11 - Operating Expenses		
Stamp, registration and trading expenses	72,612	54,726
Outsourcing and Professional fees (See Note 3)	78,889	70,565
Directors' sitting fees	580	276
Repairs and maintenance - Buildings	20,284	13,527
- Others	<u>46,422</u>	<u>49,749</u>
Rent	105,702	68,001
Rates and taxes	3,900	6,787
Membership and subscriptions	9,827	6,908
Advertisement and Marketing	28,937	21,408
Commission	2,624	2,617
Electricity	20,203	28,415
Auditors' Remuneration		
Audit fees	900	800
Other matters	10	10
Out of pocket expenses	6	8
Website maintenance expenses	5,293	6,282
Printing and stationery	12,892	9,405
Insurance	1,822	1,108
Travelling and Conveyance expenses	26,756	15,478
Postage & communication expenses	100,536	96,733
SEBI turnover fees	1,282	1,543
Wealth Tax	127	107
Provision for doubtful debts	320	1,927
Loss on sale of Fixed Assets (Net)	125	2,283
Miscellaneous expenses	<u>9,050</u>	<u>12,439</u>
	<u>549,099</u>	<u>471,102</u>
Schedule 12 - Finance Charges		
Bank Guarantee Charges	4,893	5,824
Bank charges	157	905
Interest paid - others	35	1,437
	<u>5,085</u>	<u>8,166</u>

Schedules forming part of the Accounts (contd.)

Schedule 13 – Notes appended to and forming part of the Accounts for the year ended 31 March, 2011

1. Contingent liabilities

- Bank Guarantees Rs. 410,000 thousand (previous year - Rs. 700,000 thousand). These are issued in favour of the Exchanges to meet margin requirements.
- Claims against the Company not acknowledged as debt: For disputed trades - Rs. 3,004 thousand (previous year - Rs. 819 thousand) & Others - Rs. 203 thousand (previous year - Nil).
- Service tax demands, net of amounts paid for Rs. 1,484 thousand (previous year - Rs. 1,484 thousand).

2. Pending capital commitments

As at 31 March, 2011 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. 13,842 thousand (previous year - Rs 4,877 thousand).

3. Managerial Remuneration

(Rs. '000)

	FY 2010-11	FY 2009-10
Salary & incentive	17,913	14,471
Provident Fund	174	155
Superannuation	149	135
Gratuity	0	0
Perquisites	422	1,153
Total	18,658	15,914

Managerial Remuneration excludes provision for gratuity and leave availment, since it is provided on actuarial valuation of the Company's liability to all its employees. Further, it includes incentive amounting to Rs. 8,500 thousand (previous year - Rs. 5,573 thousand) for the previous year paid during the year but excludes incentives for the current year to two whole time directors since it has not yet been ascertained.

In the current year, the Company paid Rs. 1,650 thousand (previous year - Rs 1,827 thousand) as remuneration to Mr. Bharat Shah, non-executive chairman, for services rendered by him. This is reflected as "Professional fees" in these financial statements. The Company has received permission from Central Government for the same.

Mr. Santosh Haldankar has been reappointed as whole time director for a period of 3 years with effect from 10 January, 2011. His reappointment is subject to approval of the shareholders.

4. a) Expenditure in Foreign Currency (on payment basis) (Rs. '000)

	FY 2010-11	FY 2009-10
Travelling Expenses	35	24
Others	980	986
Total	1,015	1,010

b) Earnings in Foreign Currency (on receipt basis) (Rs. '000)

	FY 2010-11	FY 2009-10
Consultancy Fees	Nil	332
Total	Nil	332

5. 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 has recognised Rs. 18,828 thousand (previous year - Rs. 12,318 thousand) in the Profit and Loss Account under Company's Contribution to Provident Fund, which is maintained with the office of Regional Provident Fund Commissioner.
- The Company operates funded post retirement defined benefit plans for gratuity, details of which are as follows:

(i). Reconciliation of Defined Benefit Obligation (Rs. '000)

Particulars	FY 2010-11	FY 2009-10
Opening Defined Benefit Obligation	7,185	4,860
Current Service Cost	3,060	2,059
Interest Cost	593	516
Actuarial Losses / (Gain)	65	(191)
Benefits paid	(464)	(59)
Closing Defined Benefit Obligation	10,439	7,185

(ii). Reconciliation of Fair value of Plan Assets (Rs. '000)

Particulars	FY 2010-11	FY 2009-10
Opening Fair value of Plan Assets	3,506	2,198
Expected return on Plan Assets	280	253
Contributions	0	1,000
Benefits paid	(464)	(59)
Actuarial Gain / (Loss)	(79)	114
Closing Fair value of Plan Assets	3,243	3,506

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

(Rs. '000)

Particulars	FY 2010-11	FY 2009-10
Present Value of Funded Obligation	10,439	7,185
Fair Value of Plan Assets	3,243	3,506
Net Liability Recognised in the Balance Sheet under 'Sundry Creditors'	(7,196)	(3,679)

(iv). **Expenses recognised in the Profit and Loss Account**

(Rs. '000)

Particulars	FY 2010-11	FY 2009-10
Current Service Cost	3,060	2,059
Interest Cost	593	516
Expected return on Plan Assets	(280)	(253)
Actuarial Losses / (Gain) - (net)	143	(306)
Net gratuity expenses included in 'Payments to and provisions for employees'	3,516	2,016

(v). **Description of Plan Assets**

Particulars	FY 2010-11 % Invested	FY 2009-10 % Invested
Debentures/Bonds	71	61
Equity	10	11
Government Securities	12	17
Other assets	7	11
Grand Total	100	100

(vi). **Experience Adjustment**

(Rs. '000)

Particulars	FY 2010-11	FY 2009-10	FY 2008-09	FY 2007-08	FY 2006-07
Defined Benefit Obligation	10, 439	7,185	4,860	3,309	2,578
Fair value of Plan Assets	3,243	3,506	2,198	1,751	1,828
Surplus / (Deficit)	(7,196)	(3,679)	(2,662)	(1,558)	(750)
Experience Adjustments on Plan liabilities (Gain) / Loss	669	83	(423)	*	*
Experience Adjustments on Plan Assets (Loss) / Gain	(78)	114	(49)	*	*

* Information not available

(vii). **Summary of Actuarial Assumptions**

Particulars	FY 2010-11	FY 2009-10
Discount Rate	8.50 %	8.25 %
Expected rate of return on Assets	8 %	8 %
Salary Escalation Rate	5 %	5 %
Mortality	Published notes under the LIC (1994-96) mortality tables	Published notes under the LIC (1994-96) mortality tables

(viii). **Actual Return on Plan Assets**

(Rs. '000)

Particulars	FY 2010-11	FY 2009-10
Expected Return on Plan Assets	280	253
Actuarial gain/(loss) on Plan Assets	(78)	114
Actual return on Plan Assets	202	367

(ix). **Other Details**

The Employer's best estimate of the contributions expected to be paid to the plan during the next year - Rs. 4,048 thousand (FY 2009-10 - Rs. 2,419 thousand).

The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary and relied upon by the Auditors.

6. 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. 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. '000)

Nature of Transaction	Holding Company	Key Management Personnel
Placement of fixed deposits	587,200 (5,38,295)	Nil (Nil)
Refund of fixed deposits	480,595 (1,051,875)	Nil (Nil)
Rendering of services (including recoveries of expenses)	57,683 (45,537)	Nil (Nil)
Receiving of services (including payment of expenses)	108,032 (95,669)	Nil (Nil)
Interest received	21,024 (40,149)	Nil (Nil)
Interest paid	16 (655)	Nil (Nil)
Loans received	260,000 (390,000)	Nil (Nil)
Loans repaid	260,000 (390,000)	Nil (Nil)
Dividend Paid	4,425 (1,770)	Nil (Nil)
Purchase of fixed assets	227 (Nil)	
Remuneration to Key Management Personnel	Nil	
Aseem Dhru		16,445 (14,310)
Santosh Haldankar		2,213 (1,604)

Balances outstanding as on 31 March, 2011:	Holding Company	Key Management Personnel
Receivables	Nil (1,928)	Nil (Nil)
Payables	Nil (Nil)	Nil (Nil)
Bank Balances	1,024,069 (748,514)	Nil (Nil)
Fixed Deposits	295,800 (189,195)	Nil (Nil)
Accrued Interest on Fixed Deposit - Receivable	2,702 (2,120)	Nil (Nil)
Bank Guarantees	70,000 (180,000)	Nil (Nil)

Figures in brackets pertain to the previous year.

7. 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 Profit and Loss Account under 'Rent' in Schedule 11.

The future minimum lease payments are as follows:

(Rs. '000)

	FY 2010-11	FY 2009-10
Not later than one year	94,976	78,964
Later than one year but not later than five years	346,180	332,802
Later than five years	192,568	244,836

8. 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 - 542,750) 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 15,068,700.

			FY 2010-11	FY 2009-10
a.	Calculation of weighted average number of equity shares:			
	Number of shares at the beginning of the year	Nos.	15,001,000	15,001,000
	Additions during the year on account of ESOP exercised	Nos.	67,700	-
	Number of shares at the end of the year	Nos.	15,068,700	15,001,000
b.	Net profit after tax available for equity shareholders	Rs. in '000	771,614	781,816
c.	Basic and Diluted earnings per share of Rs. 10 each	Rs.	51.21	52.12

9. Taxation

- a) Provision for current tax includes interest - Rs. 1,001 thousand (previous year Rs. 3,848 thousand) and earlier year's tax liability is Nil (previous year - Rs. 14,962 thousand).

b) Deferred Tax

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

(Rs. '000)

	31 March, 2011	31 March, 2010
Assets		
Provision for employee benefits	2,492	1,473
Provision for Doubtful debts	324	640
Provision for lease rental	-	3,602
Depreciation	3,142	736
Total	5,958	6,451
Deferred tax asset	5,958	6,451

10. Segment Reporting

The Company's business is to provide broking and investment services to its clients in the capital market in 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), as notified by the Companies (Accounting Standards) Rules, 2006.

11. On the basis of the intimation received from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are eight (previous year - five) suppliers registered under the said Act and there are no amounts unpaid, to the said suppliers, as at the year end.

12. Investments

During the year the Company acquired and sold the following investments in Mutual funds (including Dividend reinvested)

	No. of units	No. of units
Particulars	FY 2010-11	FY 2009-10
203I / HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-Daily Dividend*, Option : Reinvest	9,985,168.01	Nil
3010 / HDFC Liquid Fund Premium Plan - Dividend - Daily Reinvest*, Option: Reinvest	4,078,769.15	28,516,624.83
Reliance Medium Term Fund - Daily Dividend Plan	11,737,032.09	5,305,464.62
Reliance Liquid Fund-Treasury Plan - Institutional Option - Daily Dividend Option	26,878,664.36	8,241,626.93
Reliance Monthly Interval Fund - Series I- Institutional Dividend Plan	4,039,618.60	
1524 ICICI Prudential Flexible Income Plan Premium - Daily Dividend	8,190,674.80	3,249,771.03
1564 ICICI Prudential Liquid Super Institutional Plan - Div - Daily	14,435,564.19	2,661,006.01

32ISD ICICI Prudential Institutional Liquid Plan-Super Institutional Daily Div	Nil	40,310,927.41
28Q ICICI Prudential Flexible Income Plan Premium - Daily Dividend	Nil	31,636,540.57
LFRCDC ICICI Prudential Long Term Floating Rate Plan C - Monthly Dividend, Option : Dividend Payout	14,274,456.49	Nil

13. Brokerage rebate

Brokerage income of the current year includes provision for brokerage rebate in respect of the previous year no longer required written back amounting to Rs 108 thousand (previous year - Rs. 9,481 thousand) which had been provided as a constructive obligation, inspite of the discontinuance of the rebate scheme.

14. Accounting for Employee Share based Payments

The Shareholders of the Company approved a new stock option scheme (viz. ESOS-001) in February 2010 ("Company Options"). Under the terms of the scheme, the Company may issue 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, 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
lapsed during the year	-	-	-
Options outstanding, end of the year	100,212	442,550	135.00
Options Exercisable	-	88,525	135.00

Activity in the options outstanding under the Employees Stock Options Plan as at 31 March, 2010

Particulars	EWT Options	Company Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	49,500	-	53.00
Granted during the year	192,020	542,750	135.00
Exercised during the year	16,500	-	53.00
Forfeited during the year	-	-	-
lapsed during the year	-	-	-
Options outstanding, end of the year	225,020	542,750	131.48
Options Exercisable	33,000	-	53.00

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

Following summarises the information about stock options outstanding as at 31 March, 2010

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	542,750	4.10	135.00
EWT Options	53.00 to 135.00	225,020	1.60	122.97

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, 2011 (Rs.'000)	As at 31 March, 2010 (Rs.'000)
Net Profit (as reported)	771,614	781,816
Add: Stock based compensation expense included in net income	-	-
Less: Stock based compensation expense determined under fair value based method (pro forma)	(19,861)	(5,434)
Net Profit (pro forma)	751,753	776,382
	(Rs.)	(Rs.)
Basic and diluted earnings per share (as reported)	51.21	52.12
Basic and diluted earnings per share (pro forma)	49.89	51.76

15. Comparative figures

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

B. Significant Accounting Policies

1. Basis of preparation

The accounts are prepared on historical cost convention, on accrual basis and comply with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006.

The preparation of the accounts requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the accounts and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the accounts 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 Revenue recognition

- Income from brokerage activities is recognised as income on the trade date of the transaction. Brokerage is stated net of rebate.

- b) Income from other services is recognised on completion of services.
- c) Interest income is recognised in the Profit and Loss Account on an accrual basis.

3. Fixed assets and depreciation/amortisations

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

Costs incurred for the development/customisation of the Company's website, Front-office System software and Back-office system software are capitalised.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis as under:

- | | |
|--|--|
| • Leasehold improvements | Over the primary period of lease (ranging from 33 months to 9 years) |
| • Computer Hardware - Personal Computers | 3 years |
| • Computer Hardware - Others | 4 years |
| • Computer Software | 5 years |
| • Office equipments | 6 years |
| • Furniture and Fixtures | 15 years |
| • Website Cost | 5 years |
| • Motor cars | 4 years |
| • Bombay Stock Exchange Card | 10 years |

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

4. Investments

All investments of long-term nature are valued at cost. Provision is made to recognise a diminution, other than temporary, in the value of Long-Term investments. Current investments are valued at cost or market value, whichever is lower.

5. Employee benefits

(a) Provident Fund:

The Company's Contribution to Recognised Provident Fund (maintained and managed by the Office of Regional Provident Fund Commissioner) paid/payable during the year is recognised in the Profit and Loss Account.

(b) Gratuity Fund:

The Company makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The Company accounts for the net present value of its obligations for gratuity benefits based on an independent external actuarial valuation as at the year-end, determined on the basis of the projected unit credit method (PUCM). Actuarial gains and losses are immediately recognised in the Profit and Loss Account.

(c) Compensated Absences:

The Company has scheme of compensated absences for employees. The liability for which is determined on the basis of an actuarial valuation as at the end of the year in accordance with AS-15.

(d) Other Employee Benefits:

Other benefits are determined on an undiscounted basis and recognised based on the likely entitlement thereof on accrual basis.

6. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year, using applicable tax rates and laws.

Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. They are measured using substantively enacted tax rates and tax regulations.

For and on behalf of the Board

BHARAT SHAH

Chairman

ASEEM DHURU

Managing Director

SANTOSH HALDANKAR

Whole Time Director & Company Secretary

Place : Mumbai

Date : 13 April, 2011

PART IV

Balance Sheet abstract and Company's General Business Profile

I Registration Details

Registration No.	:	152193	State Code:	:	11
Balance Sheet Date	:	31-03-11			

II Capital Raised during the period (Amount in Rs. '000)

Public Issue	:	N I L	Rights Issue	:	N I L
Bonus Issue	:	N I L	Private Placement	:	N I L
ESOP	:	677			

III Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities	:	24,95,757	Total Assets	:	24,95,757
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Sources of Funds (Amount in Rs. '000)

Paid-up Capital	:	150,687	Reserves & Surplus	:	23,45,070
Secured Loans	:	N I L	Unsecured Loans	:	N I L
Deferred Tax Liability	:	N I L			

Application of Funds (Amount in Rs. '000)

Net Fixed Assets	:	2,02,867	Investments	:	8,410
Deferred Tax Assets	:	5,958	Net Current Assets		22,78,522
Misc. Expenditure	:	N I L	Accumulated losses		N I L

IV Performance of Company (Amount in Rs. '000)

Turnover	:	26,05,138	Total Expenditure	:	14,46,031
Profit/Loss before Tax	:	11,59,107	Profit/Loss after Tax	:	7,71,614
Earning Per Share in Rs.	:	51.21	Dividend Rate %	:	6%

V Generic Names of Principal Product/Services of the Company (as per monetary terms)

Item Code No. (ITC Code) : -

Product Description : Stock broking and related services

HDFC SECURITIES LIMITED
ENTRANCE PASS

(To be presented at the entrance)

ATTENDANCE SLIP : 11th ANNUAL GENERAL MEETING ON FRIDAY, 24 JUNE, 2011 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

Eleventh Annual General Meeting of HDFC Securities Limited to be held on Friday 24 June, 2011 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 , 2011.

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. A.
16 & 17, Part B Cross Lane, MIDC, Marol, 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.

150+ Branches
New Website
Equities
Bonds
1.2 + million customers
Online IPO
ASBA
Insurance
Research
Advance Portfolio
Online Mutual Fund
Indices
ETF
Gold
D.I.Y SIP
Institutional desk
Click'N Trade
Mobile Trading
Desktop Widget
Regional language trading desk
Dedicated PBG & NRI trading desk
Currency Derivatives
m.hdfcsec.com
Derivatives
Blink
Online Corporate Fixed Deposits
online password regeneration
SMS Insta
Seamless Transactions

