

Insurance

NPS

Equity

Derivatives

DIYSIP in Equity

Mobile Trading

Mutual Funds

Loans & Realty

Bonds

NCDs

IPOs

NRI

Fixed Deposits

Gold ETFs

INVESTMENTS.... SIMPLIFIED



www.hdfcsec.com

Board of Directors

Mr. Abhay Aima

Mr. Aseem Dhru, Managing Director

Mr. Bharat Shah, Chairman

Mr. Jagdish Capoor

Mr. Santosh Haldankar, Whole Time Director & Company Secretary

Auditors

Deloitte Haskins & Sells LLP

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

Corporate Identity Number

(CIN) - U67120MH2000PLC152193

Registrar & Share Transfer Agents

Datamatics Financial Services Limited,

Plot No B-5,

Part B Crosslane,

MIDC, Marol,

Andheri (East),

Mumbai - 400 093

Tel. No.: 66712213/2214

Fax No.: 66712011

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DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 14th Annual Report on the business and operations of the Company together with audited accounts for the year ended 31 March 2014.

FINANCIAL RESULTS

	(Rs. in Crores)	
	Year ended	Year ended
	<u>31-3-2014</u>	<u>31-3-2013</u>
Total Income	263.12	232.10
Total Expenses	132.46	127.35
Profit before depreciation	130.66	104.75
Depreciation and Amortisation	9.48	7.33
Profit before tax	121.18	97.42
Provision for Tax	42.74	30.60
Profit after tax	78.44	66.82
Balance brought forward	324.21	259.19
Amount available for appropriation	402.65	326.01
Proposed dividend	7.74	1.54
Tax including surcharge and education cess on dividend	1.31	0.26
Transfer to General Reserve	8.00	-
Balance carried over to Balance Sheet	385.60	324.21

OPERATIONS

During the year under review, the Company's total income amounted to Rs. 263.12 crores as against Rs. 232.10 crores in the previous year, an increase of 13.36%. The operations have resulted in a net profit after tax of Rs. 78.44 crores as against Rs. 66.82 crores in the previous year. The Company has emerged as a strong player in the financial services space offering complete financial services along with the core broking product. The Company continued strengthening its distribution network and by the end of the year has 200 branches across 160 cities in the country.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic Outlook

Output:

The Index of Industrial Production (IIP) showed no increase during April-January 2013-14, compared with 1.0 per cent growth in the corresponding period of the previous year. This stagnation in growth over two years reflects subdued investment and consumption demand.

Growth of core industries, which provide key inputs to the industrial sector, remained sluggish at 2.4 per cent during April-February 2013-14 compared to a growth of 6.9 per cent in the corresponding period a year ago. This sluggishness, in part, reflects contraction in natural gas and crude oil production and slow growth in all other infrastructure industries, except electricity.

Despite some positive movement in more recent data, industrial activity continues to be a drag on the economy, with drop in both consumption and investment demand reflected in the contraction of output of consumer durables as well as capital goods.

Inflation:

Retail inflation measured by the consumer price index (CPI) moderated for the third month in succession in February 2014 to 8.1%, driven lower by the sharp disinflation in food prices, although prices of fruits, milk and farm products have started to firm up. Excluding food and fuel, however, retail inflation remained sticky at around 8 per cent. This suggests that some demand pressures are still at play.

Inflation as per the Wholesale Price Index (WPI) also recorded a significant fall to 4.7 per cent in February 2014 from 7.5 per cent in November 2013.

Fiscal situation:

Overall, India's trade deficit at US\$ 128 billion during April-February 2013-14 was about 29 per cent lower than that of US\$ 180 billion during April-February 2012-13. The CAD-GDP ratio in Q3 of 2013-14 narrowed to 0.9 per cent from 6.5 per cent in Q3 of 2012-13 and 1.2 per cent of GDP in Q2 of 2013-14. This was, due to the large decline in non-oil imports including gold. For the year as a whole, the CAD is expected to be about 2.0 per cent of GDP.

All key deficits, with the exception of effective revenue deficit, have turned out to be lower in 2013-14 revised estimates (RE) than the budget estimates (BE) in absolute terms. In terms of GDP, while the revenue deficit of 3.3 per cent remained unchanged from the BE, gross fiscal deficit (GFD) and primary deficit (PD) were lower by 0.2 percentage points each at 4.6 per cent and 1.3 per cent respectively. This is being achieved through a massive reduction in the planned expenditure, of around 14 per cent. Another measure adopted by the government over the years to ensure compliance with fiscal deficit targets has been a roll-over of expenditure to the subsequent year.

External Situation:

Various measures undertaken by the Reserve Bank since September 2013 augured well for the resumption of capital inflows in subsequent months. The Reserve Bank's swap windows for banks' mobilisation of fresh FCNR(B) deposits and overseas borrowing helped to build up reserves during September- November 2013. With the revival of portfolio flows since December 2013, India's forex reserves reached US\$ 298.6 billion as on March 21, 2014, an accretion of US\$ 23.1 billion over end-August 2013.

With a lower CAD and build-up of foreign exchange reserves, the downward pressure on the currency and the volatility in the Indian rupee began to subside. The rupee after making a low of 68.85 in Aug 2013 has recovered to ~60 vs the USD as a result of various measures taken by the RBI and the resultant forex inflows.

Going forward:

Since the beginning of 2014, global activity appears to have moderated on slower growth in the US, the UK and Japan, continuing sluggishness in the Euro area and a subdued pick-up in emerging and developing economies, restrained by the uncertain external demand environment as well as by localised cyclical and structural constraints.

In India, in the quarters ahead, the boost provided by robust agricultural production in 2013 may wane. Moreover, the outlook for the 2014 south-west monsoon appears uncertain. Sluggishness in industrial activity, exports and several categories of services underlines the need to revitalise productivity and competitiveness.

The Reserve Bank's policy stance will be firmly focussed on keeping the economy on a disinflationary glide path that is intended to hit 8 per cent CPI inflation by January 2015 and 6 per cent by January 2016.

Growth in the Indian economy had been shifting down from 9.6 per cent in Q4 of 2010- 11. It troughed around 4.4 per cent for three quarters from Q3 of 2012-13 to Q1 of 2013-14. Since then there are signs of growth bottoming out with marginal improvement recorded during Q2 and Q3 of 2013-14 to 4.8 and 4.7 per cent respectively. However, this improvement has been feeble and clear signs of recovery are yet to emerge, even as the economy seems to be gearing for a modest recovery during 2014-15.

Contingent upon the desired inflation outcome, real GDP growth is projected to pick up from a little below 5 per cent in 2013-14 to a range of 5 to 6 per cent in 2014-15. We will have to watch the lead indicators closely for green shoots but remain cautiously optimistic about the future.

Capital Market

The equity market moves:

BSE's benchmark Sensex rose 3550 points or 18.9% in the year ended 31 March 2014, the most in four years, with share sales by domestic institutional investors aggregating around one-fifth less than it did last year. The BSE Mid-cap index gained 15.3% after declining in the previous two fiscal years, while the BSE Small-cap index rose 21.8%, its first gain in four fiscal years.

A significant part of the gains in the Sensex has come in the month of March alone, with FIIs investing \$3.2 billion in Indian equities in the hope of a turnaround in the economy and the ensuing general election scheduled for April-May 2014.

Investors wealth soared by over Rs 10.27 lakh crore to Rs 74.15 lakh crore during 2013-14 on the back of rising stock prices helped by smart foreign fund inflows.

Institutional flows:

The strong performance across market indices came despite a drop in foreign institutional investors' (FIIs') inflows, which declined 47% from the previous fiscal year to \$13.4 billion (though at ~ Rs.80,000 cr

they were one of the key drivers of the rally in the Indian markets). Domestic institutional investors sold Rs.53,549 crore of Indian equities, down 22.5% from the year before.

FII flows remained volatile through the year, with foreign investors pulling out \$3.7 billion between June and August, soon after the US Federal Reserve hinted at tapering its bond-buying programme, leading to nervousness across global markets. India, along with other economies that were running large current account deficits bore the brunt of selling from foreign investors.

FII's began the financial year on a positive note and infused more than Rs 26,000 crore in the first two months of 2013-14 on the back of various reforms initiated by the government. However, overseas investors became net sellers of equities between June and August as the US Federal Reserve's announced that it would taper its quantitative easing strategy. FII's, once again flocked towards Indian stocks and bought bagful of stocks in September as RBI Governor announced slew of measures to boost the weakening rupee and revive economic growth. After that the inflows continued till the fiscal year-end. The momentum of fund inflow in stocks picked up in the month of March on hopes of a turnaround in the economy and the ensuing general elections scheduled for April-May 2014.

Meanwhile, for the Indian debt market, it was the worst year ever, with FII's pulling out \$4.6 billion (nearly Rs.28,000 cr) due to weakness in the Indian currency mid year. In 2012-13, overseas investors had pumped in nearly Rs 28,334 crore in the debt securities. Prior to this, the only fiscal year when debt saw net outflows from FII's was 2006, when they sold a net of \$1.6 billion of debt.

This was the fifth consecutive year that saw positive FII inflows underlining the fact that they remain optimistic about the prospects of the Indian Stock Markets. Despite their unpredictable 'hot money' investment, these overseas entities have been amongst the most important drivers of Indian stock markets.

Since opening up of Indian markets for FII's in 1992, they have made a cumulative net investment of Rs 7.13 lakh crore (\$150 bn) in shares and withdrew Rs 1.4 lakh crore from the debt segment.

The way ahead:

Election results are likely to cause short term volatility; markets are likely to reflect their likes and dislikes immediately.

If one takes a longer term view, regardless of the government, once the dust settles down, markets are likely to resume their positive bias. The Indian economy in all likelihood will consolidate and will move up but may take longer than what people anticipate.

In the middle of excess optimism and pessimism that we see on the street, depending on who one speaks to, we remain firmly in the middle. In the short run, the markets are impossible to predict but in the long term, we remain optimistic. At the end of it all, market will give valuation to the consistency of past delivery, quality of management and future projections of each company and well run companies in good industries will continue on the path of growth higher than the rest of the economy and in them shareholders will find value as long as they choose well.

DIVIDEND

Your Directors are pleased to recommend a dividend of 50% for the year ended 31 March 2014. 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 "Best e-Brokerage Award - 2013" in the Outlook Money Awards in the runner up category.

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.

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 EARNING & 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. 24.3 of the Financial statements.

DIRECTORS:

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

Ms. Latika Monga resigned as Director of the Company. The Board places on record its appreciation for the services rendered by Ms. Latika Monga during her tenure as Director with the Company.

Mr. Jagdish Capoor was appointed as an additional Director by the Board during the year and holds office upto the conclusion of the ensuing Annual General Meeting. The Company has received a notice pursuant to Section 160 of the Companies Act, 2013 from a shareholder proposing the candidature of Mr. Jagdish Capoor as Director of the Company at the ensuing Annual General Meeting.

The Board of Directors at its meeting held on 17 December 2013 re-appointed Mr. Aseem Dhru as Managing Director of the Company for a period of 3 years from 7 April 2014 to 6 April 2017 and Mr. Santosh Haldankar as Whole Time Director of the Company for a period of 3 years from 10 January 2014 to 9 January 2017. Both the re-appointments are 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.

A total of 1,11,150 stock options were exercised and allotted by the Company during the year. The money realised due to exercise of the said options was Rs.1,50,05,250/-. A detailed note on this subject is placed in the notes forming part of the financial statements at Note no. 32.

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 LLP, 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, 2014 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 effort 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: 17 April 2014

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	44	Managing Director	1 January 2008	2,50,55,073	19	HDFC Bank Ltd.
Mr. C.V. Ganesh B.Com, CA, CWA	42	Chief Financial Officer & Head - Operations	2 May 2008	88,95,079	20	Citi Technology Services Ltd.
Mr. Deepak Jasani B.Com,LLB,FCA,CFA	49	Head - Retail Research	7 April 2004	70,51,220	19	Kaji & Maulik Services Ltd.
Mr. Siddharth Shah B.Com	54	Head - Branch Sales	1 June 2010	1,06,04,045	33	HDFC Bank Ltd
Mr. Uday Singh B.Com, MBA	39	Head - Retail Sales	21 December 2005	64,98,271	18	ICICI Prudential Life Insurance Company Ltd.
Mr. Vinod Sharma B.Com, MBA	52	Head -Private Client Group	30 October, 2009	69,32,039	29	Anagram Securities Limited
Mr. Jyotheesh Kumar BE, MBA	40	Head - Online, PBG, NRI, Marketing	1 June 2010	65,37,729	17	HDFC Bank Ltd.

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	51	Head - Institutional Equities	23 February 2012	14,04,697	27	B&K Securities India Pvt. Ltd.

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, 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, 2013 & the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The Board has a strength of 5 Directors as on 31 March 2014. 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 and Mr. Jagdish Capoor.

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	7	2,30,000
Mr. Jagdish Capoor	Non-Executive	3	13	90,000
Mr. Santosh Haldankar	Whole Time Director	5	-	-

3. Composition of Committees of Directors:

The various committees of the Board are as follows:

Audit Committee:

The Audit Committee is chaired by Mr. Jagdish Capoor. The other members of the Committee are Mr. Bharat Shah and Mr. Abhay Aima. The Committee met 5 (five) times during the year. The terms of reference of the Audit Committee inter alia includes the following:

- 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, remuneration and terms of appointment of internal & external auditor and their removal;
- d. Reviewing with management, the financial statements and the auditors' report thereon focussing primarily on accounting policies and practices, compliances with other requirements concerning financial statements;
- e. Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures techniques and other regulatory requirements;
- f. Review and evaluation of the Company's financial controls and risk management systems.

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 currently comprises of 3 Directors viz. Mr. Bharat Shah, Mr. Abhay Aima & Mr. Jagdish Capoor. 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 currently consists of Mr. Bharat Shah, 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 1(one) time during the year.

Corporate Social Responsibility Committee:

The Board of Directors have constituted a Corporate Social Responsibility (CSR) Committee, which shall inter-alia

- 1) formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company.
- 2) recommend the amount of expenditure to be incurred every financial year on the activities
- 3) monitor the CSR Policy from time to time.

Mr. Abhay Aima, Mr. Aseem Dhru, Mr. Bharat Shah and Mr. Jagdish Capoor are the members of the CSR Committee

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. The Committee consists of Mr. Aseem Dhru, Mr. C.V. Ganesh, Mr. Nimesh Shah and Mr. Santosh Haldankar. The Committee met 4(four) times during the year.

4. General Body Meetings

(During previous three financial years)

Meeting	Date and Time	Venue	No. of Special Resolutions passed
13 th AGM	7 June 2013 at 11.30 a.m.	HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	1(one)
12 th AGM	18 June 2012 at 11.30 a.m.	HDFC Bank House, 6th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	1(one)
11 th AGM	24 June 2011 at 11.30 a.m.	HDFC Bank House, 6th Floor, 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** : 2013-14
- (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: 022-66712213-14
Fax: 022-66712011

(iv) Shareholding Pattern as on 31 March 2014

Sr. No.	Name of the shareholder	Number of shares held	% of total
1	HDFC Bank Limited	1,38,10,000	89.24
2	Others	16,65,125	10.76
	TOTAL	1,54,75,125	100%

On behalf of the Board of Directors

Place: Mumbai.
Date: 17 April 2014

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, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's 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 notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 the 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 2014;
- (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 notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs)
 - e. On the basis of the written representations received from the Directors as on 31 March 2014 taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm Registration No: 117366W / W-100018)

Sanjiv V. Pilgaonkar
Partner
(Membership No. 39826)

Place : Mumbai
Date : 17 April 2014

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 regard in respect of the Company.
- (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 2014 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 2014 on account of dispute is given below:

Statute	Nature of 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 (Appeal filing pending)	Assessment Year 2007-08	37
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	Assessment Year 2011-12	93
Finance Act, 1994	Service Tax	Commissioner of Central Excise (Appeals)	Financial Years 2004-05 and 2005-06	4
Finance Act, 1994	Service Tax	Commissioner of Central Excise	Financial Years 2005-06 to 2008-09	22

- (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 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 and 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) According to the information and explanations given to us, no fraud by the Company has been noticed or reported during the course of our audit. Further according to the information and explanations given to us by the management no fraud on the Company has been noticed or reported during the course of our audit except for one case, where an employee along with an outsourced resource misappropriated cash amounting to Rs.38.41 lakhs. The employee has been suspended and the service of the outsource resource terminated. Recovery procedures have been initiated and an amount of Rs.17.46 lakhs has been recovered till date.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

(Registration No: 117366W / W-100018)

Sanjiv V. Pilgaonkar

Partner

(Membership No. 39826)

Place : Mumbai

Date : 17 April 2014

Balance Sheet as at 31 March 2014

(Rs. in Lacs)

Particulars	Note No.	As at 31 March 2014	As at 31 March 2013
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	1,548	1,536
(b) Reserves and surplus	4	42,669	35,591
		<u>44,217</u>	<u>37,127</u>
2 Non-current liabilities			
(a) Other long term liabilities	5	324	298
(b) Long-term provisions	6	49	73
		<u>373</u>	<u>372</u>
3 Current liabilities			
(a) Trade payables	7	2,855	2,670
(b) Other current liabilities	8	36,964	13,749
(c) Short-term provisions	9	1,466	495
		<u>41,285</u>	<u>16,915</u>
TOTAL		<u>85,875</u>	<u>54,412</u>
II. ASSETS			
1 Non-current assets			
(a) Fixed assets (Net)			
(i) Tangible Assets	10	4,244	4,507
(ii) Intangible Assets	10	448	505
(iii) Capital Work-in-Progress		71	52
(iv) Intangible assets under development		186	91
		<u>4,949</u>	<u>5,154</u>
(b) Non-current investments	11	2,084	1,584
(c) Deferred tax assets (Net)		9	200
(d) Long-term loans and advances	12	949	914
(e) Other non-current assets	13	5,326	9,639
		<u>13,317</u>	<u>17,491</u>
2 Current assets			
(a) Investments	14	6,500	1,700
(b) Trade receivables	15	230	112
(c) Cash and Bank Balances	16	34,874	24,860
(d) Short-term loans and advances	17	30,747	9,865
(e) Other current assets	18	207	384
		<u>72,558</u>	<u>36,921</u>
TOTAL		<u>85,875</u>	<u>54,412</u>

The accompanying notes form an integral part of these financial statements (1 to 33)

In terms of our report attached

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Place : Mumbai
Date : 17 April 2014

For and on behalf of the Board

BHARAT SHAH
Chairman

ASEEM DHRU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

Statement of Profit and Loss for the year ended 31 March, 2014

		(Rs. in Lacs)	
Particulars	Note No.	Year ended 31 March 2014	Year ended 31 March 2013
I. Revenue from operations	19	25,997	23,021
II. Other income	20	315	189
III. Total Revenue (I + II)		26,312	23,210
IV. Expenses:			
Employee benefits expense	21	7,913	7,484
Finance costs	22	6	10
Depreciation and amortisation expense	10	948	733
Other expenses	23	5,327	5,241
Total expenses		14,194	13,468
V. Profit before tax (III - IV)		12,118	9,742
VI. Tax expense:			
(1) Current tax expense for current year		4,015	3,217
(2) Current tax expense relating to prior years		68	(185)
(3) Deferred tax		191	28
		4,274	3,060
VII. Profit for the year (V - VI)		7,844	6,682
VIII. Earnings per equity share: (Face Value - Rs 10)			
Basic and diluted (Rs.)		51.00	44.09

The accompanying notes form part of the financial statements (1 to 33)

In terms of our report attached

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Place : Mumbai
Date : 17 April, 2014

For and on behalf of the Board

BHARAT SHAH
Chairman

ASEEM DHRU
Managing Director

SANTOSH HALDANKAR
Whole Time Director & Company Secretary

Cash Flow Statement for the year ended 31 March, 2014

(Rs. in Lacs)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
(A) Cash flows from Operating activities :		
Net Profit before taxation	12,118	9,742
Adjustments for :		
Interest on fixed deposits	(2,322)	(2,244)
Interest on non current investments	(8)	(8)
Income from current investments	(117)	(163)
Bad Debts Written Off	(166)	-
(Profit) / Loss on Sale of Fixed Assets	(8)	(4)
Excess provision for doubtful debts written back	-	(1)
Dividend received	(122)	(171)
Provision for Doubtful Debts	(3)	-
Provision for Wealth Tax	2	1
Depreciation and Amortisation	948	733
Provision for Employee benefits	(21)	(31)
Operating profit before working capital changes	<u>10,301</u>	<u>7,854</u>
Adjustments for changes in :		
Trade Receivables	(119)	(12)
Loans and advances	(20,617)	(1,367)
Fixed deposits pledged with Banks under lien against guarantee / margins	(827)	(2,091)
Purchase of mutual funds under lien against margins	(500)	(1,500)
Trade and other payables	23,657	1,109
Cash generated from Operations	<u>11,895</u>	<u>3,993</u>
Interest received	2,379	2,213
Direct taxes paid (net of refunds)	(3,857)	(3,229)
Net Cash generated from Operating activities	<u>10,417</u>	<u>2,977</u>
(B) Cash flows from Investing activities :		
Additions to Fixed Assets and Capital work in progress	(989)	(3,620)
Proceeds from sale of Fixed Assets	27	26
Fixed deposits with original maturity of more than 3 months	(1,425)	1,115
Purchase of short term mutual funds	(400)	(1,700)
Purchase of long term mutual funds	(4,400)	-
Income from current investments	117	163
Interest on bonds	8	8
Dividend received	122	171
Net Cash used in Investing activities	<u>(6,940)</u>	<u>(3,837)</u>
(C) Cash flows from Financing activities :		
Dividend Paid (including dividend tax)	(180)	(141)
Money received on exercise of stock options by employees	151	317
Net Cash generated from Financing activities	<u>(29)</u>	<u>176</u>
Net increase in cash and cash equivalents	<u>3,448</u>	<u>(684)</u>
Cash and cash equivalents at the beginning of the year	<u>8,488</u>	<u>9,172</u>
Cash and cash equivalents at the end of the year	<u>11,936</u>	<u>8,488</u>
Reconciliation		
Cash and cash equivalents at the end of the year	<u>11,936</u>	<u>8,488</u>
Add: Fixed deposits with original maturity in excess of three months and restricted cash balances	22,938	16,372
Cash and bank balances at the end of the year as per Note 16	<u>34,874</u>	<u>24,860</u>
Add: Fixed deposits pledged with Banks against guarantees / margins (Refer Note 13)	5,326	9,639
Cash and Bank Balances	<u>40,200</u>	<u>34,499</u>

The accompanying notes form an integral part of these financial statements (1 to 33)

In terms of our report attached
For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
SANJIV V. PILGAONKAR
Partner
Place : Mumbai
Date : 17 April 2014

For and on behalf of the Board
BHARAT SHAH
Chairman
ASEEM DHURU
Managing Director
SANTOSH HALDANKAR
Whole Time Director & Company Secretary

Notes forming part of the Financial Statements

Note 1: Corporate Information

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

Note 2: Significant Accounting Policies

2.1. Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India (“Indian GAAP”) under the historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] (which continue to be applicable in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs) 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 upon rendering of the services.

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.

Interest is earned on delayed payments from clients and amounts funded to them as well as term deposits with banks.

Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.

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

2.4. Tangible assets

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price and expenses directly attributable to bringing the asset to its working condition for the intended use. Subsequent expenditure related to an item of fixed asset are added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

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

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

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
Electricals	21 years
Vehicles	4 years
Office premises	61 years

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

Useful lives are reviewed at each financial year end and adjusted if 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 tax, are included in the determination of the net profit or loss for the period.

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

Deferred tax is recognised for all the timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

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

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, 2014		As at 31 March, 2013	
	Number	Amount	Number	Amount
Authorised				
Equity Shares of Rs. 10 each	20,000,000	2,000	20,000,000	2,000
Issued, Subscribed & Paid-up				
Equity Shares of Rs. 10 each fully paid up	15,475,125	1,548	15,363,975	1,536
Total	15,475,125	1,548	15,363,975	1,536

(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	15,363,975	1,536	15,129,750	1,513
Shares issued during the period	111,150	12	234,225	23
Shares bought back during the period	-	-	-	-
Shares outstanding at the end of the period	15,475,125	1,548	15,363,975	1,536

(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	13,810,000	1,381	9,535,000	954
Total	13,810,000	1,381	9,535,000	954

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

	As at 31 March, 2014		As at 31 March, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
HDFC Bank Limited	13,810,000	89.24%	9,535,000	62.06%
Indocean eSecurities Holding Limited	-	0.00%	4,275,000	27.82%

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

Particulars	As at 31 March, 2014	As at 31 March, 2013	As at 31 March, 2012	As at 31 March, 2011	As at 31 March, 2010
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Equity Shares :

Fully paid up by way of bonus shares	-	-	-	-	-
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(vi) Shares reserved for issue under options

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

Notes forming part of the Financial Statements

(Rs. in Lacs)

	As at 31 March, 2014	As at 31 March, 2013
Note 4: Reserves and Surplus		
a. Securities Premium Account		
Balance as at the beginning of the year	3,170	2,876
Additions during the year [refer Note No.32]	139	294
Balance as at the end of the year	3,309	3,170
b. Surplus in the Statement of Profit and Loss		
Balance as at the beginning of the year	32,421	25,919
Add: Net Profit for the year	7,844	6,682
Less: Appropriations		
Transfer to General reserve	800	-
Proposed dividend on equity shares	774	154
Dividend distribution tax on proposed dividend on equity shares	131	26
Balance as at the end of the year	38,560	32,421
c. General Reserve Account		
Balance as at the beginning of the year	-	-
Additions during the year	800	-
Balance as at the end of the year	800	-
Total	42,669	35,591
Note 5: Other Long Term Liabilities		
Operating lease obligation	247	297
Trade and security deposits received	77	1
Total	324	298
Note 6: Long-Term Provisions		
Provision for employee benefits		
Provision for gratuity	49	73
Total	49	73
Note 7: Trade Payables		
Dues to entitles other than Micro and Small Enterprises [See footnote]	3	17
Accrued payroll & employee benefits	2,066	2,013
Accrued Expenses	786	640
Total	2,855	2,670

Footnote:

On the basis of the information available with the Company and the intimation received from ‘suppliers’ regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are 7 (previous year - 12) suppliers registered under the said Act and there are no amounts unpaid, to the said suppliers, as at the year end and no interest has been paid or accrued on account of timely payments.

Notes forming part of the Financial Statements

(Rs. in Lacs)

	As at 31 March, 2014	As at 31 March, 2013
Note 8: Other Current Liabilities		
(a) Income received in advance for services to be rendered	417	303
(b) Unpaid dividends [see footnote]	2	1
(c) Other payables		
Payable to Exchanges	1	4
Payable to Clients	36,219	12,923
Statutory Dues including Tax deducted at Source	113	79
Operating lease obligation	13	23
Stale cheques	55	52
Liabilities for capital goods	134	364
Other liabilities	10	-
Total	36,964	13,749

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.

	As at 31 March, 2014	As at 31 March, 2013
Note 9: Short-Term Provisions		
(a) Provision for employee benefits		
Compensated absences	190	187
(b) Others		
Provision For Contingencies [See footnote]	49	49
Provision For Taxation (Net)	321	77
Provision for Fringe Benefit Tax (Net)	1	1
Provision for Wealth Tax (Net)	0	1
Provision for Dividend (includes provision for corporate dividend tax Rs 131 lacs; previous year Rs 26 lacs)	905	180
Total	1,466	495

Notes forming part of the Financial Statements

Note 10: Fixed Assets (Net)

(Rs. in Lacs)

Fixed Assets		Gross Block			Accumulated Depreciation				Net Block		
		As at 01-04-2013	Additions during the year	Deletions/ Adjustments during the year	As at 31-03-2014	As at 01-04-2013	Charge for the year	On deletions during the year	As at 31-03-2014	As at 31-03-2014	As at 31-03-2013
a	Tangible Assets										
	Leasehold Improvements in Buildings on operating lease	844	63	28	879	531	93	24	600	279	313
	(Previous year)	(856)	(5)	(17)	(844)	(452)	(95)	(16)	(531)	(313)	(404)
	Office Premises	2,652	74	-	2,726	22	44	-	66	2,660	2,630
	(Previous year)	-	(2,652)	-	(2,652)	-	(22)	-	(22)	(2,630)	-
	Electricals	-	36	-	36	-	1	-	1	35	0
	(Previous year)	-	-	-	-	-	-	-	-	-	-
	Furniture & Fixtures	114	46	7	153	74	10	3	81	72	40
	(Previous year)	(113)	(4)	(3)	(114)	(70)	(5)	(1)	(74)	(40)	(43)
	Vehicles	301	137	110	328	164	82	102	144	184	137
	(Previous year)	(278)	(74)	(51)	(301)	(132)	(70)	(38)	(164)	(137)	(146)
	Office Equipments	690	71	52	709	545	78	51	572	137	145
	(Previous year)	(698)	(8)	(16)	(690)	(485)	(73)	(13)	(545)	(145)	(213)
	Other Computer and peripherals	4,045	125	52	4,118	2,804	486	49	3,241	877	1,241
	(Previous year)	(3,135)	(933)	(23)	(4,045)	(2,469)	(354)	(19)	(2,804)	(1,241)	(666)
	Total	8,646	552	249	8,949	4,140	794	229	4,705	4,244	4,507
	(Previous year)	(5,080)	(3,676)	(110)	(8,646)	(3,608)	(619)	(87)	(4,140)	(4,506)	(1,472)
b	Intangible Assets - Other than internally generated										
	Bombay Stock Exchange Card	288	-	-	288	288	-	-	288	0	0
	(Previous year)	(288)	-	-	(288)	(288)	-	-	(288)	(0)	(0)
	Computer software	1,970	89	-	2,059	1,556	123	-	1,679	380	414
	(Previous year)	(1,790)	(180)	-	(1,970)	(1,470)	(85)	-	(1,556)	(414)	(320)
	Website Costs	153	8	-	161	62	31	-	93	68	91
	(Previous year)	(132)	(21)	-	(153)	(34)	(29)	-	(62)	(91)	(98)
	Total	2,411	97	-	2,508	1,906	154	-	2,060	448	505
	(Previous year)	(2,210)	(201)	-	(2,411)	(1,792)	(114)	-	(1,906)	(505)	(418)
	Grand Total	11,057	648	249	11,457	6,046	948	229	6,765	4,692	5,011
	(Previous year)	(7,290)	(3,877)	(110)	(11,057)	(5,400)	(733)	(87)	(6,046)	(5,011)	(1,890)

Notes forming part of the Financial Statements

	(Rs. in Lacs)	
	As at <u>31 March, 2014</u>	As at <u>31 March, 2013</u>
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 *	0	0
(b) Investments in Mutual Funds		
Lien marked Mutual Funds		
53,716.707 units (March 31, 2013 - 36,491.451 units) of Reliance Mutual Fund	1,500	1,000
Liquid Fund-Treasury Plan - Growth Open		
29,402.116 units (March 31, 2013 - 29,402.116 units) of Reliance Mutual	500	500
Fund Liquidity Fund-Growth Plan-Growth Open Ended		
Quoted		
a) Investments in debentures and bonds		
840 units of State Bank of India - Series 2 Lower Tier II Bonds, of Rs. 10,000/- each fully paid	84	84
Total	<u>2,084</u>	<u>1,584</u>
Footnotes		
1. Aggregate amount of quoted investments	84	84
2. Aggregate amount of quoted investments (Market value net of accrued interest)	76	79
3. Aggregate amount of unquoted investments	2,000	1,500
* less than Rs. 50,000/-		
Note 12: Long-Term loans and advances		
a. Capital Advances		
Unsecured, considered good	3	6
b. Security Deposits		
Unsecured, considered good	213	213
Unsecured, considered doubtful	6	6
Less: Provision for doubtful deposits	<u>(6)</u>	<u>(6)</u>
	213	213
c. Other loans and advances		
Unsecured, considered good		
Prepaid Expenses	51	43
Deposit with Stock Exchanges	211	211
Margin monies with clearing member	13	13
Advance Payment of Income Tax [Net of provisions for taxation Rs. 11,390 lacs (March 31, 2013 Rs. 11,053 lacs)]	440	425
Advance Payment of Fringe Benefit Tax (Net) *	0	0
Other Advances recoverable in cash or in kind or for value to be received	<u>18</u>	<u>3</u>
	733	695
Unsecured considered doubtful of recovery		
Receivable from clients	32	31
Less: Provision for doubtful loans and advances	<u>(32)</u>	<u>(31)</u>
	-	-
Total	<u>949</u>	<u>914</u>
* less than Rs. 50,000/-		

Notes forming part of the Financial Statements

(Rs. in Lacs)
As at **As at**
31 March, 2014 **31 March, 2013**

Note 13: Other non current assets

Balances with Banks in deposit accounts

With balance maturity of more than 12 months as at the balance sheet date

Lien marked deposits

5,326 9,639

Total

5,326 **9,639**

Note 14: Investments

Current Investment (at lower of cost or market value)

Investments in Mutual Funds

2,100 1,700

Current Maturity of Long Term Investment (at cost unless otherwise stated)

Investment in Mutual Funds

4,400 -

Total

6,500 **1,700**

Aggregate book value of unquoted investments

6,500 1,700

Details of Current Investments

No. of Units

Amount

As at 31 March, 2014	As at 31 March, 2013	As at 31 March, 2014	As at 31 March, 2013
----------------------------	----------------------------	----------------------------	----------------------------

Investments in Mutual Funds

- Reliance Liquid Fund-Treasury Plan-Direct Growth Plan - Growth Option

42,037.007 42,037.007 1,200 1,200

- ICICI Prudential Liquid -Direct Plan - Growth

229,607.241 - 400 -

- Reliance Income Fund-Direct Growth Plan-Bonus Option

4,387,889.426 4,387,889.426 500 500

Total

4,659,533.674 **4,429,926.433** **2,100** **1,700**

Details of Current Maturity of Long Term Investment

Investments in Mutual Funds

- HDFC FMP 371 D July 2013 (1) Series 26 - Direct - Growth

5,000,000.000 - 500 -

- HDFC FMP 371 D January 2014 (1) - Direct Plan - Growth Option

3,000,000.000 - 300 -

- HDFC FMP 370 D July 2013 (3) Series 26 - Direct - Growth

5,000,000.000 - 500 -

- UTI Fixed Term Income Fund Series XVII-X (367 Days)

10,000,000.000 - 1,000 -

- Axis Fixed Term Plan Series 56 (370 Dys)-Dir Growth

2,000,000.000 - 200 -

- Reliance Fixed Horizon Fund XXIV Series 3 - Direct Growth Plan (368 Days)

5,000,000.000 - 500 -

- Reliance Fixed Horizon Fund - XXIV Series 11 - Growth Direct

2,000,000.000 - 200 -

- Reliance Fixed Horizon Fund - XXIV Series 15 - Direct - Growth Plan

2,000,000.000 - 200 -

- ICICI Prudential FMP Series 70 -366 Days Plan B -Direct - Growth

5,000,000.000 - 500 -

- ICICI Prudential FMP Series 68 -369 Days Plan K -Direct - Growth

5,000,000.000 - 500 -

Total

44,000,000.000 **-** **4,400** **-**

Total

6,500 **1,700**

Notes forming part of the Financial Statements

(Rs. in Lacs)

	As at 31 March, 2014	As at 31 March, 2013
Note 15: Trade Receivables		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	-	-
Unsecured, considered good	-	-
Unsecured, considered doubtful of recovery	7	7
Less: Provision for doubtful debts	(7)	(7)
Other Trade Receivables	<u>-</u>	<u>-</u>
Secured, considered good	-	-
Unsecured, considered good	230	112
	<u>230</u>	<u>112</u>
Total	<u>230</u>	<u>112</u>

Note 16: Cash and Bank Balances

a. Cash on Hand *	0	0
b. Balances with Banks		
(i) In current accounts	11,936	8,488
(ii) In deposit accounts		
Term deposits with original maturity of more than 3 months but maturing within 12 months of the balance sheet date		
- Lien marked deposits	20,636	15,496
- Other deposits	2,300	875
(iii) In earmarked accounts		
- Unpaid dividend accounts	2	1
Total	<u>34,874</u>	<u>24,860</u>

* less than Rs. 50,000/-

Footnotes:

1. Of the above, the balances which meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statement is -	11,936	8,488
2. Term deposits with balance maturity of more than 12 months have been included in Note no. 13		
Lien Marked	5,326	9,639
Others	-	-

Notes forming part of the Financial Statements

	As at 31 March, 2014	(Rs. in Lacs) As at 31 March, 2013
Note 17: Short-term loans and advances		
Loans and advances to other than related parties		
Unsecured, considered good		
Prepaid Expenses	182	147
Receivable from Exchanges	22,505	6,047
Receivable from Clients	7,985	3,597
Other Advances recoverable in cash or in kind or for value to be received	75	74
	<u>30,747</u>	<u>9,865</u>
Unsecured, considered doubtful of recovery		
Receivable from clients	3	2
Less: Provision for doubtful loans and advances	(3)	(2)
	<u>-</u>	<u>-</u>
Total	<u>30,747</u>	<u>9,865</u>
Note 18: Other Current Assets		
Interest accrued and not due on Bank Fixed Deposits	95	152
Interest accrued and not due on State Bank of India Bonds	8	8
Unbilled Revenue	86	223
Service Tax Receivable	18	1
Total	<u>207</u>	<u>384</u>
Note 19: Revenue from Operations		
	Year ended	Year ended
	31 March, 2014	31 March, 2013
Brokerage Income	20,393	17,734
Fee Income	2,823	2,669
Other Operating income		
- Interest on fixed deposits	2,322	2,244
- Interest on delayed payments from clients	437	347
- Other interest	22	26
Total	<u>25,997</u>	<u>23,021</u>
Note 20: Other Income		
Profit on sale of fixed assets (Net)	8	4
Interest on non-current investments	8	8
Dividend on non-current investments	5	8
Income from current investments	117	163
Miscellaneous income	177	7
Total	<u>315</u>	<u>189</u>

Notes forming part of the Financial Statements

(Rs. in Lacs)

	<u>Year ended 31 March, 2014</u>	<u>Year ended 31 March, 2013</u>
Note 21: Employee benefits expenses		
(a) Salaries, wages and bonus	7,195	6,808
(b) Contributions to provident and other funds	256	264
(c) Staff training and welfare expenses	462	412
Total	<u>7,913</u>	<u>7,484</u>
Note 22: Finance Costs		
Bank guarantee charges	5	8
Bank charges *	0	1
Interest paid - others	1	1
Total	<u>6</u>	<u>10</u>
* less than Rs. 50,000/-		
Note 23: Other Expenses		
Stamp, registration and trading expenses	490	156
Outsourcing and professional fees	696	763
Directors sitting fees	5	6
Repairs and Maintenance		
- Buildings	280	273
- Others	672	554
Rent	836	910
Rates and Taxes	51	38
Membership and subscription	75	81
Advertisement and marketing	161	289
Commission	14	52
Electricity	262	224
Auditors' Remuneration (excluding service tax)		
- Audit fees	14	13
- Other matters *	-	-
- Out of pocket expenses *	0	-
Foreign exchange fluctuation expenses	25	-
Website maintenance expenses	62	32
Printing and stationery	92	97
Insurance	35	26
Travelling and conveyance expenses	358	304
Postage and communication expenses	853	888
SEBI turnover fees	2	2
Wealth tax	2	1
Provision for doubtful debts (net of reversals)	3	(1)
Bad Debts Written Off	166	-
Loss Due to Fraud Written Off	-	385
Loss on sale of fixed assets (Net)	-	-
Miscellaneous Expenses	173	148
Total	<u>5,327</u>	<u>5,241</u>
* previous year less than Rs. 50,000/-		

Notes forming part of the Financial Statements

Note 24: Additional information to the financial statements

24.1. Contingent liabilities

- a) Claims against the Company not acknowledged as debt: For disputed trades - Rs. 58 lacs (previous year - Rs.119 lacs) & Others - Rs. 0 lacs * (Previous Year - 5 lacs).
- b) Service tax demands, net of amounts paid for Rs. 26 lacs (Previous Year - Rs. 26 lacs).

* less than Rs. 50,000 /-

24.2. Pending capital commitments

As at 31 March, 2014 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. 69 lacs (previous year - Rs 9 lacs).

24.3. a) Expenditure in Foreign Currency

(Rs. in lacs)

	FY 2013-14	FY 2012-13
Others	17	15
Total	17	15

b) Earnings in Foreign Currency

(Rs. in lacs)

	FY 2013-14	FY 2012-13
Commission on sale of Superfund Mutual Fund	18	180
Total	18	180

Note 25: Employee Benefits

The Company makes contributions towards provident fund and family pension fund which are defined contribution retirement benefit plans for qualifying employees. The provident fund and family pension are administered by office of the Regional Provident Fund Commissioner. The superannuation plan is unfunded.

A sum of Rs. 196 lacs (Previous Year Rs. 184 lacs) has been charged to the Statement of Profit and Loss towards provident fund, family pension fund and superannuation fund.

The Employee State Insurance Scheme ("ESIC") is a contributory scheme providing medical, sickness, maternity and disability benefits to the insured employees under the Employees State Insurance Act, 1948. The charge to the Statement of Profit and Loss is Rs 37 lacs (Previous Year Rs. 37 lacs), which is classified as a part of "Staff training and welfare expenses".

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 2013-14	FY 2012-13
Opening Defined Benefit Obligation	220	146
Current Service Cost	39	36
Interest Cost	18	12
Actuarial Losses	6	39
Benefits paid	(18)	(13)
Closing Defined Benefit Obligation	265	220

(ii). Reconciliation of Fair value of Plan Assets

(Rs. in lacs)

Particulars	FY 2013-14	FY 2012-13
Opening Fair value of Plan Assets	147	92
Expected return on Plan Assets	13	8
Contributions	80	60
Benefits paid	(18)	(13)
Actuarial Gain / (Loss)	(6)	0 *
Closing Fair value of Plan Assets	216	147

* less than Rs. 50,000 /-

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

(Rs. in lacs)

Particulars	FY 2013-14	FY 2012-13
Present Value of Funded Obligation	265	220
Fair Value of Plan Assets	216	147
Net Liability Recognised in the Balance Sheet	(49)	(73)

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

(Rs. in lacs)

Particulars	FY 2013-14	FY 2012-13
Current Service Cost	39	36
Interest Cost	18	12
Expected return on Plan Assets	(13)	(8)
Actuarial Losses / (Gain) - (net)	12	39
Net gratuity expenses recognized in the Statement of Profit and Loss	56	79

(v). Description of Plan Assets *

Particulars	FY 2013-14 % Invested	FY 2012-13 % Invested
Debentures/Bonds	52	50
Equity	9	8
Government Securities	32	38
Other assets	7	4
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 (68% of Plan Assets: previous year 78%) and the Life Insurance Corporation of India ("LIC") (32% of Plan Assets: previous year 22%).

* The investment pattern disclosed above is based on information received from HDFC Standard Life Company Limited and LIC. However LIC's investment pattern as at 31 March 2013 being the latest information available from LIC, has been used.

(vi). Experience Adjustments

(Rs. in lacs)

Particulars	FY	FY	FY	FY	FY
	2013-14	2012-13	2011-12	2010-11	2009-10
Defined Benefit Obligation	265	220	146	104	72
Fair value of Plan Assets	216	147	92	32	35
Surplus / (Deficit)	(49)	(73)	(54)	(72)	(37)
Experience Adjustments on Plan liabilities (Gain) / Loss	6	6	(2)	7	1
Experience Adjustments on Plan Assets (Loss)/ Gain	(6)	0 *	(1)	(1)	1

* less than Rs. 50,000 /-

(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 2013-14	FY 2012-13
Discount Rate	9.03 %	8.00 %
Expected rate of return on Assets	8.70 %	8.60 %
Salary Escalation Rate	7.00 %	6.00 %
Mortality	Indian Assured Lives Mortality tables (2006-08)	Indian Assured Lives Mortality tables (2006-08)

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

(viii). Actual Return on Plan Assets

(Rs. in lacs)

Particulars	FY 2013-14	FY 2012-13
Expected Return on Plan Assets	13	8
Actuarial gain/(loss) on Plan Assets	(6)	0 *
Actual return on Plan Assets	7	8

* less than Rs. 50,000 /-

(ix). Other Details

The Employer's best estimate of the contributions expected to be paid to the plan during the next year - Rs. 91 lacs (previous year - Rs. 112 lacs).

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

1. Holding Company:

HDFC Bank Limited.

2. Enterprise under common control of the Holding Company:

HDB Financial Services Limited.

3. Key Management Personnel:

Mr. 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	10 (2,329)	Nil (Nil)	Nil (Nil)
Refund of fixed deposits	2,344 (1,369)	Nil (Nil)	Nil (Nil)
Rendering of services (including recoveries of expenses)	415 (575)	6 (4)	Nil (Nil)
Receiving of services (including payment of expenses)	1,318 (1,473)	3 (3)	Nil (Nil)
Interest received	63 (175)	Nil (Nil)	Nil (Nil)
Interest paid	Nil (1)	Nil (Nil)	Nil (Nil)
Purchase of fixed assets	195 (Nil)	Nil (Nil)	Nil (Nil)
Dividend Paid	95 (76)	Nil (Nil)	Nil (Nil)
Remuneration to Key Management Personnel	Nil	Nil	
Aseem Dhru			251 (226)
Santosh Haldankar			30 (27)

Balances outstanding:			
Receivables	1 (Nil)	Nil (Nil)	Nil (Nil)
Bank balances	8,886 (7,410)	Nil (Nil)	Nil (Nil)
Fixed deposits	5 (2,339)	Nil (Nil)	Nil (Nil)
Accrued interest on fixed deposit - receivable	0 * (41)	Nil (Nil)	Nil (Nil)
Accrued expenses	104 (74)	2 (Nil)	Nil (Nil)
Unbilled revenue	Nil (124)	Nil (Nil)	Nil (Nil)
Advances	15 (15)	Nil (Nil)	Nil (Nil)
Bank guarantees	5 (5)	Nil (Nil)	Nil (Nil)
Deposit received	77 (1)	Nil (Nil)	Nil (Nil)

Figures in brackets pertain to the previous year.

* less than Rs. 50,000 /-

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

The Company has taken various premises under lease 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 Note no. 23. Rent expenses of Rs. 761 lacs (Previous year - Rs. 838 lacs) in respect of obligation under non-cancellable operating leases and Rs. 75 lacs (Previous year - Rs. 72 lacs) in respect of cancelable operating leases have been charged to the statement of profit and loss.

The future minimum lease payments are as follows:

(Rs. in lacs)

Particulars	FY 2013-14	FY 2012-13
Not later than one year	817	810
Later than one year but not later than five years	2,951	2,645
Later than five years	736	480

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

- (i) The Earnings per Share is computed by dividing the Net Profit After Tax by the weighted average number of equity shares.
- (ii) The Company has not granted any options during the year (previous year - Nil). 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 15,378,287.

Particulars			FY 2013-14	FY 2012-13
a.	Weighted average number of equity shares for basic and diluted earnings per share	Nos.	15,378,287	15,155,604
b.	Net profit after tax available for equity shareholders	Rs. in lacs	7,844	6,682
c.	Basic and Diluted earnings per share of Rs. 10 each	Rs.	51.00	44.09

Note 29: The Company has suffered a fraud of Rs. 38.41 lacs during the year by an employee, of which Rs 17.46 lacs have been recovered. The employee has been suspended and recovery procedures have been initiated for the balance.

Note 30: Taxation

- a) Provision for current tax includes interest - Rs. 20 lacs (previous year Rs. 25 lacs).
- b) Deferred Tax

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

(Rs. in lacs)

	31 March, 2014	31 March, 2013
Liabilities		
Depreciation	(89)	(13)
Assets		
Provision for employee benefits	81	88
Provision for Doubtful debts	17	16
Provision for lease liability	0	109
Net Deferred tax asset	9	200

Note 31: Segment Reporting

The Company's business is to provide brokerage services to its clients in the capital markets within India. All other activities of the Company 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 32: 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 of Directors (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.

Such options vest at definitive dates, save for specific incidents, prescribed in the scheme as framed/approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee, 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, 2014

Particulars	Company Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	122,900	135.00
Granted during the year	-	-
Exercised during the year	111,150	135.00
Forfeited during the year	600	-
Lapsed during the year	2450	135.00
Options outstanding, end of the year	8,700	135.00
Options exercisable	8,700	135.00

Activity in the options outstanding under the Employees Stock Options Plan as at 31 March, 2013

Particulars	Company Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	371,400	135.00
Granted during the year	-	-
Exercised during the year	234,225	135.00
Forfeited during the year	12,000	135.00
Lapsed during the year	2,275	135.00
Options outstanding, end of the year	122,900	135.00
Options exercisable	122,900	135.00

Following summarises the information about stock options outstanding as at 31 March, 2014

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	8,700	0.89	135.00

Following summarises the information about stock options outstanding as at 31 March, 2013

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	122,900	1.61	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, 2014 (Rs. in lacs)	As at 31 March, 2013 (Rs. in lacs)
Net Profit (as reported)	7,844	6,682
Add: Stock based compensation expense included in net income	-	-
Less/Add: Stock based compensation expense/ income determined under fair value based method (pro forma)	2	(25)
Net Profit (pro forma)	7,846	6,657

Particulars	(Rs.)	(Rs.)
Basic and diluted earnings per share (as reported)	51.00	44.09
Basic and diluted earnings per share (pro forma)	51.02	43.92

Note 33: 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 : 17 April 2014

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