



HDFC securities
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20
YEARS



Digital Investing

ANNUAL REPORT 2019-20

Board of Directors

Mr. Abhay Aima
Dr. (Mrs.) Amla Samanta
Mr. Ashish Rathi, Wholetime Director
Mr. Bharat Shah, Chairman
Mr. Dhiraj Relli, Managing Director
Mr. Jagdish Capoor
Mr. Malay Patel
Mr. Samir Bhatia

Auditors

BSR & Co., LLP
Chartered Accountants

Bankers

HDFC Bank Limited
IndusInd Bank Limited
State Bank of India
Axis Bank Limited
ICICI Bank Limited

Company Secretary

Mr. N. E. Venkitakrishnan

Registered Office

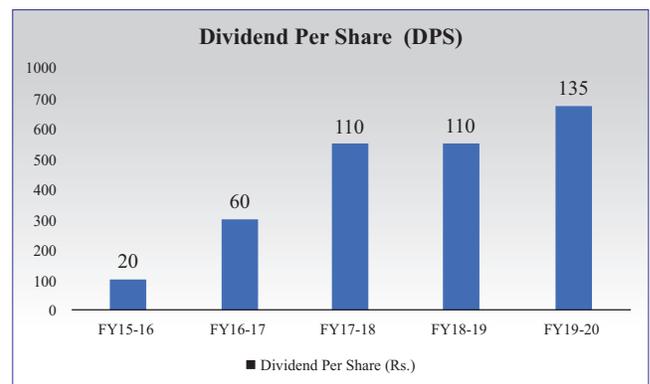
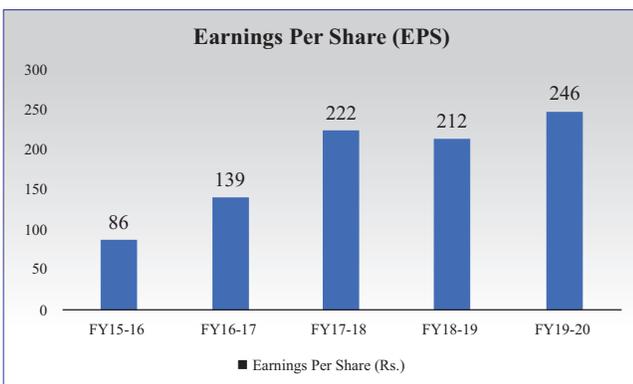
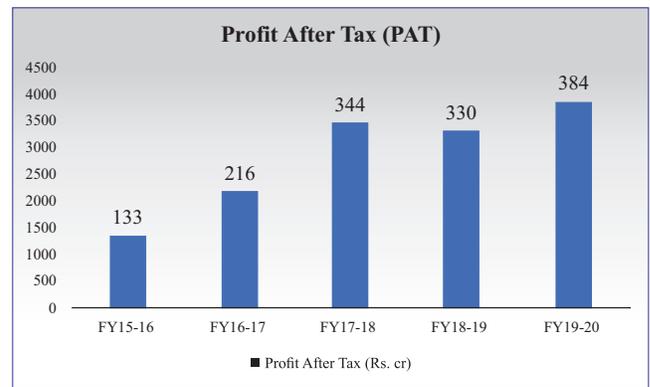
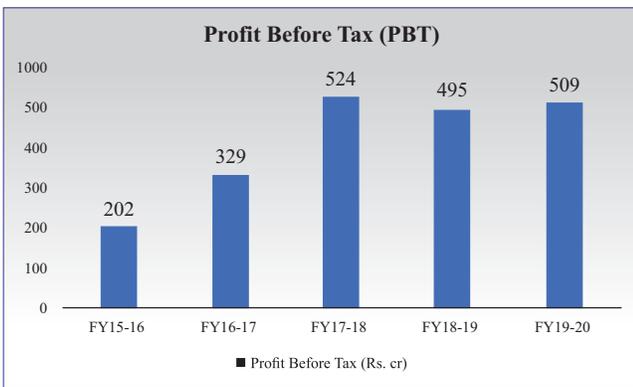
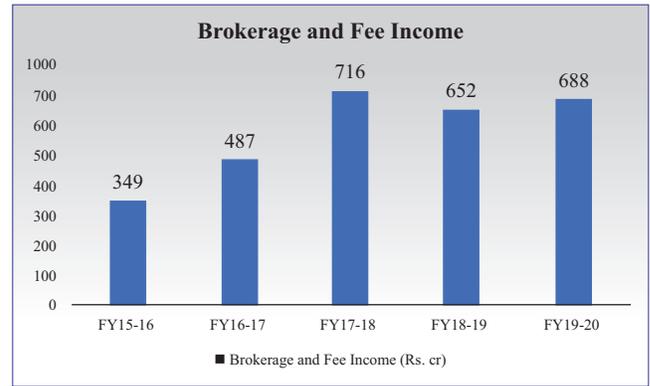
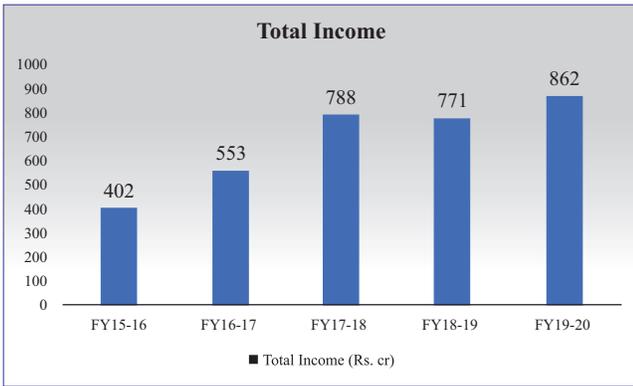
Office Floor 8, I think Techno Campus,
Building B - Alpha,
Kanjurmarg (East),
Mumbai 400 042
Tel No. : 022-30753400
Fax No.: 022-30753435
Website : www.hdfcsec.com
Corporate Identity Number
(CIN) - U67120MH2000PLC152193

Registrar & Share Transfer Agents

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

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Key Metrics





MESSAGE FROM THE CHAIRMAN

Rising to the challenge



In the midst of the pandemic caused by Covid-19, the worst of its kind in a hundred years, we have some things to cheer about our Indian economy. Oil prices have crashed. Since we import over 70% of our oil requirements, this will help bring down our trade deficits substantially. Governments and central banks around the world (including the Reserve Bank of India) are resorting to a loose monetary and fiscal policy. This should help keep liquidity high and interest rates low, another structural positive for India. With the world keen to look beyond China for sourcing of manufactured products, India is likely to attract global industrial investment.

We live in challenging times. I am sure India will make the most of these difficult times. Like many other countries, India has also been hit by the pandemic since mid-March 2020. The nation-wide lockdown has thrown up adversities such as the breakdown of supply chains as well as a disruption of normal life. Thankfully, the monsoon has started well and rural India has faced relatively much lower economic and social disruption. Agricultural growth will be a strong point in the macro mix over FY21.

How does HDFC Securities intend to navigate through these disruptive times? **It is my firm belief that all adversity is an opportunity in disguise.** Frankly, we don't have all the answers to the questions and challenges that Covid-19 poses. What we have is resolve, courage, creativity and the ability to implement a meticulous and evolving set of responses to the fast developing situation. For example, we realigned our business processes early in the Covid outbreak to enable many of our people to work from home, thus delivering a consistent and smooth customer experience across the pandemic. Also, we encouraged more and more customers to adopt digital channels.

In fact, due to some meticulous planning, hard work and the Almighty's blessings, we did not have any breakdown in our 'supply chain'. Most of our customers have adapted to change and have embraced digital ways. This has inspired us to renew our thrust in rolling out digital technology for service delivery across our product suite. It also gives us the conviction that customer engagement via digital channels is delivered more consistently and reliably, and is aligned with customers' preferences. This will eventually enable us to participate in all customer segments and open up the widest possible business opportunities for us over the medium to long term.

Needless to say, we are backing our intent on digital evolution with significant investments into upgrading hardware, hosting and software systems in the current financial year. Our capacities and capabilities will stand considerably enhanced as a result. **This will ensure that customer experience remains top-class and becomes an anchor element in our value proposition and long term franchise.** Our resolve to help savers invest sensibly in equity and other asset classes by harnessing the power of digital technology remains unchanged. We also intend to continuously expand the product suite so as to progressively transform into a financial supermarket with a wide array of products for the new age saver, across asset classes. HDFC Securities looks forward to many more years of growth and digital evolution.

Yours truly,
Bharat Shah
Chairman



MESSAGE FROM THE MD & CEO



The journey is bigger than the milestone

HDFC Securities has turned 20 this year. Completing two decades in the industry in April 2020 bears testimony to our steadfast intent of providing quality service to our customers. They have, in turn, leaned on us with their investment needs. I sincerely believe that there cannot be a bigger gratification than seeing customers happy and advocating our brand.

However, the current pandemic has brought unprecedented times where, more than ever, we need to provide unfailing support and market expertise to customers so that they can protect their wealth by mitigating risks and volatility. It has also thrown several challenges on the operating front, which we have tackled with our greatest resource: our people. The exemplary display of commitment, courage and innovation

by our people gives me conviction that we are poised to overcome the toughest hurdles in our path over the next twenty years and beyond. Our journey continues, even as we take note of the latest milestone...

Recent events in the economy and the markets highlight the risks that investors face when they avail of services from players who are less than fully compliant. At HDFC Securities, we remain committed to ensuring the delivery of fully compliant and flawless services. Coupled with more than four decades of a stellar compliance record at all arms of the HDFC Group, we believe this represents a strong argument for discerning and compliance-friendly investors to sign up with us.

We are using every ounce of our passion to ensure availability of highly responsive, available and reliable delivery platforms, a speedy query and grievance support system, appropriate research inputs, timely market insights and structured investor education programs.

Apart from the popularly appreciated benefit of customer delight, digital evolution holds the promise of a non-linear rise in productivity. For a growing business with a huge addressable and untapped opportunity, this is the real key to long term profit growth. As we move into our third decade of existence, the top most priority for HDFC Securities is to be able to scale up without a proportional rise in operating costs, while delivering an ever-improving experience to our customers. Digital evolution also involves the ability to use technology to reduce risk via smarter surveillance, keep compliance impeccable and sharpen our people's focus on serving customers.

I am happy to share that we now have a fully digital sign-up process, a development that will pull in an ever increasing number of new customers from within and outside the HDFC Bank customer base. It is equally exciting that we are also migrating our hosting infrastructure and upgrading hardware to more than double our transaction volume capabilities. It is a matter of pride that we are executing on both of these game changing initiatives in an operationally challenging year, given the outbreak of the Covid-19 pandemic. Several more such initiatives are on the anvil as we move into FY21 and beyond.

Apart from our core business of equity broking (and margin funding), our third party products (mutual funds, PMS, insurance, NPS, bonds, deposits, gold) distribution business continues on its growth path and calls for special mention here. With these products rapidly rising up the penetration curve within our customer base, we are now a full-suite financial service provider for savings, investments and protection. We now have an institutional broking business at much more than critical mass that has attracted some of the best talent on Dalal Street in the year gone by. It is firmly set for growth in the years to come.

We believe in simplifying the process of understanding and investing in capital markets - a practice which has the reputation of paying rich dividends in terms of customer trust and repeat business. We house some of the best minds in the industry with a strong flair for innovation and execution, making us one of the most attractive brokerages for young as well as evolved professionals. **On our 20th anniversary year, we have resolved to become more nimble, customer centric and digitally wired than ever before.**

With best wishes,

Dhiraj Relli
MD & CEO

Company Profile

About HDFC Securities

HDFC Securities is one of the leading stock broking companies in India, and has completed 20 years in the industry. As a subsidiary of HDFC Bank, we operate with complete transparency, operational efficiency and an impeccable reputation of providing value to our customers. We offer a large spectrum of financial products and services, spread across various asset classes such as equity, fixed income, retirement planning, gold and protection.

Our product basket includes all sub-asset classes like stocks, derivatives, mutual funds, fixed deposits, NCDs, insurance, bonds and currency derivatives. We also have a robust understanding of the personal finance space covering finer details of asset allocation, portfolio structuring and realignment and goal based investing. Our service delivery channels comprise a mobile application, our online trading portal, a Centralised Dealing Desk and a support network of more than 1500 relationship managers over phone or through any of our 260+ branches across India.

We have strong Retail and Institutional research teams, through which we thrive to offer meaningful insights and views that have the potential to positively impact the investments of our customers. We believe in empowering investors with unbiased research and educative videos, explaining our products and key market events so that informed decisions are made accordingly. In alignment with our philosophy of investor empowerment, unlike most of the brokerage houses, our research reports are freely available on our website.

We are a digitally conscious business and are fully cognizant of the technological advancements in the broking industry. Our multiple associations with Fintech firms allow us to redefine our product and service offerings for the appropriate customer segments. We are actively exploring the domains of Artificial Intelligence and Machine Learning to assess how we can add more value to a customer's investment journey. All our platforms are continuously screened for improvements where a major role is played by the feedback from our customers, which we believe forms the backbone of our upgrades and innovation.

Profiles of Board Members

Mr. Bharat D Shah - Mr. Shah is the Chairman of HDFC Securities Limited, 3M India Limited and Exide Industries Limited. He has been with HDFC Bank since its inception and has played a key role in the formation of the bank. He joined HDFC Bank as an Executive Director in December 1994. He holds a Bachelor's Degree in Science from University of Mumbai and a Diploma in Applied Chemistry from Borough Polytechnic, London.

Mr. Dhiraj Relli - Mr. Relli has been a member of the HDFC family since 2008. He has served as Senior Executive Vice President and Head of Branch Banking at HDFC Bank, where his span of control extended across 800+ branches in different geographies. Prior to this, he worked as Country Head - Branch Banking with Centurion Bank of Punjab. He was appointed CEO of HDFC Securities in 2015. Mr Relli is a Chartered Accountant and has also completed an Advanced Management Program from the prestigious Indian Institute of Management, Bengaluru.

Mr. Abhay Aima - Mr. Aima has served as Head of Global Consumer Business, Private Banking & Distribution, Direct & Digital Banking, Retail Liabilities at HDFC Bank for over two decades. With over 31 years of experience in capital markets and financial services, he has been a strong pillar of HDFC Bank.

Mr. Jagdish Capoor - Mr. Capoor is a former Deputy Governor of Reserve Bank of India. He has over four decades of a stellar track record in the financial domain, having worked at the RBI for 39 years. Mr Capoor has served as Chairman of HDFC Bank. He has also been a member of the Board of Governors of IIM Indore, as also on the Board of The Indian Hotels Co, LIC Housing Finance and Spandana Sphoorty Financial. He is a Fellow of the Indian Institute of Banking and Finance.

Dr. (Mrs.) Amla Samanta - Dr. Samanta is currently on the Board of Samanta Movies Pvt. Ltd., Ashish Rang Udyog Pvt. Ltd., HDB Financial Services Limited and Shakti Cine Studios Pvt. Ltd. Earlier, she was on the Board of HDFC Bank from 1996 to 2004. Prior to this she served on the Advisory Board - India of the Bank of America for two years. She has over two decades of experience in small scale industry and financial services. She holds a Ph. D. in biochemistry from the University of Mumbai.

Mr. Samir Bhatia - Mr. Bhatia is an Indian entrepreneur and is the Founder and CEO of SMEcorner. He is a Chartered Accountant and a Cost Accountant, and has worked with companies such as Citibank, HDFC Bank, Barclays Bank and Equifax. He is an angel investor.

Mr. Malay Patel - Mr. Patel is a Major in Engineering (Mechanical) from Rutgers University, Livingston, NJ (USA) and holds an AABA in business from Bergen County College, Fairlawn, NJ (USA). He is a director on the Board of Eewa Engineering Company Private Limited, a company in the plastics/packaging industry that exports to customers in more than 50 countries. He is also an Independent Director at HDFC Bank.

Mr. Ashish Rathi - Mr. Rathi is a Wholetime Director and the Head of Operations, Risk & Compliance at HDFC Securities. He has been with the company for 17 years. Ashish holds a B. Com from Mumbai University and is a Chartered Accountant.

Senior Management Team

- **Dhiraj Relli**, *MD & CEO*
- **Ashish Rathi**, *Wholetime Director*
- **C V Ganesh**, *Chief Financial Officer**
- **Sammeer Saurabbh**, *Chief Technology Officer*
- **Nandkishore Purohit**, *Head - Digital Strategy & Analytics*
- **Mufaddal Matcheswala**, *Business Head*
- **Uday Singh**, *Business Head*
- **Kiran Hirlekar**, *Business Head*
- **Reynu B Bhat**, *Head - Human Resources*
- **Vinod Kumar Sharma** - *Equity Market Specialist*
- **Dipen Sheth**, *Head - Retail Equity & Strategic Marketing*
- **Deepak Jasani**, *Head - Retail Research*
- **Unmesh Sharma**, *Head - Institutional Equity*
- **Varun Lohchab**, *Head - Institutional Research*
- **Raveendra Balivada**, *Head - Investment Advisers*
- **S. Sambath Kumar**, *Head - Third Party Products & Distribution**
- **N.E.Venkitakrishnan**, *Company Secretary & Head - Admin*

* *serving notice*

Key Partners

Digital Partners
• DigiGold - MMTC Pamp, SafeGold
• Global Investing - Stockal
• Basket Investing - Smallcase
• Pro-Terminal - Heckyl
• Whatsapp services - GupShup
• Chatbot Arya - Active.ai
• Mobile app - Zineone
• Web services - TCS, Finoux

Life Insurance Partners
• HDFC Life Insurance
• Aditya Birla Life Insurance
• Tata AIA Life Insurance

Health Insurance Partners
• Max Bupa Health Insurance
• Aditya Birla Health Insurance
• HDFC Ergo General Insurance

AMC Partners (not an exhaustive list)
• ICICI Prudential Mutual Fund
• HDFC Mutual Fund
• Axis Mutual Fund
• Nippon India Mutual Fund
• SBI Mutual Fund
• Aditya Birla Sun Life Mutual Fund
• DSP Mutual Fund
• Franklin Mutual Fund
• Mirae Asset Mutual Fund
• L&T Mutual Fund
• Tata Mutual Fund
• Kotak Mutual Fund
• UTI Mutual Fund
• IDFC Mutual Fund
• Invesco Mutual Fund
• PGIM India Mutual Fund

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the 20th Annual Report on the business and operations of the Company together with audited accounts for the year ended 31 March 2020.

FINANCIAL RESULTS AS PER IND AS

	(Rs. in Crore)	
	Year ended	Year ended
	<u>31-3-2020</u>	<u>31-3-2019</u>
Total Income	862.26	770.66
Total Expenses (excluding Depreciation)	322.89	256.79
Profit before depreciation	539.37	513.87
Depreciation and Amortisation	30.36	18.64
Profit before tax	509.01	495.23
Provision for Tax	124.86	165.41
Profit after tax	384.15	329.82
Balance brought forward	1087.38	945.45
Amount available for appropriation	1471.53	1275.27
Dividend (Interim and Final)	297.69	155.85
Tax including surcharge and education cess on dividend	61.19	32.04
Balance carried over to Balance Sheet	1112.65	1087.38

OPERATIONS

During the year under review, the Company's total income amounted to Rs.862.26 crore as against Rs.770.66 crore in the previous year. The operations have resulted in a net profit after tax of Rs.384.15 crore as against Rs.329.82 crore in the previous year. The Company has emerged as a strong player in the financial services space offering a bouquet of savings and investment products along with the core broking product. The Company had 262 branches across 161 cities in the country as on 31 March 2020 and also has multiple digital platforms to enable its customers have easy access to its products.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic Outlook

Output:

India's factory output shrank by a record 16.7% in March 2020 as economic activity came to a standstill because of the lockdown, prompting the government to announce a massive fiscal stimulus plan to revive industrial activity. The picture for April 2020 could be even worse with virtually nil growth in most sectors (except food and pharma), which will mean a very large dip in growth rate in manufacturing. In March 2020, manufacturing output slumped 20.6% while electricity generation shrank 6.8% and mining output was flat. For the year ended 31 March 2020, factory output contracted 0.7% against 3.8% growth in the previous year.

Due to nationwide lockdown, the output of eight core industries for April 2020 contracted a whopping 38.1% vs a decline of 9% in March 2020 and growth of 5.2% in April 2019. Production of coal, crude oil, natural gas, refinery products, fertiliser, steel, cement and electricity contracted by 15.5%, 6.4%, 19.9%, 24.2%, 4.5%, 83.9%, 86%, 22.8%, respectively.

Gross domestic product grew at a slower pace of 3.1% in the fourth quarter of 2019-20 as the corona virus further weakened consumer demand and private investment in the March 2020 quarter. This was compared to 4.7% in December 2019 quarter. Growth was 4.2% in the fiscal year through March 2020. Q4 GDP number came in higher than most economists' estimates, however there has been material downward revision in the GDP numbers for the previous three quarters. On the output front, agri and mining sectors seem to have done well. On the expenditure front, government spending seems to have helped. Private consumption, gross fixed capital formation and net exports have been disappointing. The full impact of the lockdown on manufacturing and services will become more evident in the June 2020 quarter, with most economists predicting a sharp contraction from a year ago.

Apart from the continuing resilience of agriculture and allied activities, most other sectors of the economy will be adversely impacted by the COVID-19 pandemic. If COVID-19 is prolonged and supply chain disruptions get accentuated, the global slowdown could deepen, with adverse implications for India. The slump in international crude prices could provide some relief in the form of terms of trade gains. Upside growth impulses are expected to emanate from monetary, fiscal and other policy measures and the early containment of COVID-19. In its second long-range forecast for Southwest Monsoon 2020, the India Meteorological Department (IMD) predicted normal rainfall over the country as a whole from June 2020 to September 2020. Seasonal rainfall is likely to be 102% of the Long Period Average (LPA).

Inflation:

India's retail inflation eased to a four-month low of 5.91% in March 2020 due to a sharp fall in vegetable prices. Inflation rate, based on wholesale prices, also eased to four-month low of 1 per cent in March 2020 largely on account of a sharp fall in food prices. According to ICRA estimates, WPI is expected to record a disinflation of 1.5 per cent in FY20-21, in contrast to the mild inflation of 1.7 per cent in FY19-20.

Due to difficulty in data collection for consumer price index (CPI); the National Statistical Office did not release the retail inflation number for April 2020. It only released price movements of selected sub-groups of CPI. The data showed food inflation quickening in April, 2020 to 10.5% from 8.76% a month ago.

RBI in its monetary policy of March 2020 said that food prices may soften under the beneficial effects of the record food grain and horticulture production, at least till the onset of the usual summer uptick (however supply disruptions due to lockdown has led to a temporary uptick in food inflation). The collapse in crude prices should work towards easing both

fuel and core inflation pressures, depending on the level of the pass-through to retail prices. Aggregate demand may weaken due to lockdown and income shocks, which could ease core inflation further.

The fiscal and external situation:

Despite the revised estimate (RE) made in the Union Budget, direct tax collections for FY20 fell short by Rs. 1.42 lakh crore as per media reports. The overall collections stood at Rs. 10.27 lakh crore, around 12.6% short of the RE of Rs. 11.7 lakh crore and down 8% in comparison to the last fiscal year mop up of Rs 11.17 lakh crore. Goods and Services Tax (GST) collections on a gross basis in March 2020 came in at Rs. 97,597 crore, an 8.4% fall over the corresponding month last year. Gross GST collections during the whole of FY20 (April-March) were Rs. 12.2 lakh crore, up just 3.8% year-on-year. Due to the "unprecedented situation" arising out of the COVID-19 outbreak, the April 2020 GST collection data release was deferred.

Contracting for the second straight month, India's exports shrank by a record 60.28 per cent in April 2020 to USD 10.36 billion, mainly on account of the lockdown. Imports too plunged by 58.65 per cent to USD 17.12 billion in April 2020, leaving a trade deficit of USD 6.76 billion as against USD 15.33 billion in April 2019. This is the lowest trade deficit since May 2016, when it had stood at USD 6.27 billion.

Foreign direct investment (FDI) in India grew by 13% to a record of USD 49.97 billion in the 2019-20 financial year. The country had received FDI of USD 44.36 billion during April-March 2018-19. Sectors which attracted maximum foreign inflows during 2019-20 include services (USD 7.85 billion), computer software and hardware (USD 7.67 billion), telecommunications (USD 4.44 billion), trading (USD 4.57 billion), automobile (USD 2.82 billion), construction (USD 2 billion), and chemicals (USD one billion). Singapore emerged as the largest source of FDI in India during the last fiscal with an investment of USD 14.67 billion.

Capital Markets

The equity market moves, and the way ahead:

Financial year 2019-20 was marked by testing times on the economic front globally as well as domestically. Geo-political uncertainties, US-China trade war, economic slowdown in advanced economies as well as weak domestic economic growth constrained by slack in consumption demand and subdued investment climate and pressurised government finances posed various challenges.

The Nifty 50 Index tumbled 26.6% in 2019-20, the biggest slide in 11 fiscals. That came on the back of a 29% decline in the last three months of the financial year, the biggest quarterly sell off since 1992. The Sensex 30 index fell by 24.2%. The decline was led by sell off in banking and financial stocks with the Nifty Bank index plunging more than 40% in the last three months ending the year with loss of 36.7%.

Among the broader markets, Nifty Midcap 100 and Nifty Smallcap 100 ended the year with declines of 35.6% and 46.5% respectively. All sectoral indices ended the year in the red. The Nifty FMCG Index fell the least by 13%. The Nifty PSU Bank index more than halved (down 60.5%) while Nifty Metal index fell by 48.4%.

The Indian Rupee continued to weaken against the dollar over the course of the year (closed 8.9% lower) and hit an all-time low of Rs. 76.37 in March 2020 as the U.S. currency strengthened on the likelihood of a global recession in the first half of the calendar year.

In FY20, FPIs were net buyers in equities of Rs.6,153 crore despite a large outflow of Rs.61,973 crore in March 2020. This is compared to net sales of Rs.88 crore in FY19. On the debt side they continued to be large net sellers of Rs.48,710 crore including a large outflow of Rs.60,376 crore in March 2020. This compares with net outflow of Rs.42,357 crore in FY19.

The Central and State Governments need to provide support to livelihoods and businesses impacted by COVID-19, in spite of a weak revenue outlook.

Factoring in a sharp decline in receipts, and a modest fiscal stimulus, fiscal deficit of the centre could rise to 5%+ in FY21 (due to lower net tax revenue, lower telecom and divestment receipts, fiscal stimulus and offset partly by lower capex) while states' fiscal deficit could come in at 3.5%+ (due to lower GST revenues, lower VAT from petroleum products, support to individual livelihood and lower transfers from centre).

Capital markets would continue to be volatile as long-term costs of the economic dislocation—both domestic and global—remain a known unknown. In such times it is better for an investor to stick with 'money-in' businesses (companies with cash) than 'money-out' ones (leveraged companies). Lending/Collection models with a high human component being susceptible to a prolonged shutdown; a prudent investor should follow a 'zero-tolerance' policy on balance sheet uncertainties.

The COVID-19 and the accompanying lockdown will have an impact on India's growth in FY21. However, we think we could do better than what some economists have predicted - a mid single digit contraction in GDP for FY21.

While the potential for economic growth in India (and hence of its equity markets) remains bright over the medium term, the near term scenario remains concerning due to the entrenched issues which have got accentuated due to COVID-19. We hope that timely and adequate action from the Government and RBI (in addition to the various steps taken so far) would be able to prevent cascading effect of the slowdown on the financial and other sectors. This will help the economy to get back on rails soon.

Implications of COVID-19 as at 31st March 2020 on the Company and its activities have been disclosed in the Financial Statements vide Note No.48

EXTRACT OF ANNUAL RETURN

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

BOARD MEETINGS

During the year under review, 6 (six) Board Meetings were held. The meetings were held on 16 April 2019, 21 June 2019, 16 July 2019, 14 October 2019, 15 January 2020 and 6 March 2020.

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

Name of Director	Attendance at Board Meetings	Directorship of other Companies	Sitting Fees (Rs.)
Mr. Abhay Aima	6	2	5,25,000
Dr. (Mrs.) Amla Samanta	6	4	6,25,000
Mr. Ashish Rathi	5	-	Nil
Mr. Bharat Shah	6	10	6,00,000
Mr. Bhavesh Zaveri	1	Resigned w.e.f 24/04/2019	50,000
Mr. Dhiraj Relli	6	-	Nil
Mr. Jagdish Capoor	4	7	3,75,000
Mr. S.S. Thakur	1	Resigned w.e.f 24/04/2019	1,50,000
Mr. Samir Bhatia	4	1	3,50,000
Mr. Malay Patel	1	2	50,000

COMPOSITION AND SIZE OF THE BOARD

The composition of the Board of Directors of the Company (“the Board”) is governed by the Companies Act, 2013 & the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The Board had 8 (eight) Directors as on 31 March 2020. Mr. S.S. Thakur and Mr. Bhavesh Zaveri submitted their resignations from the Board and have since ceased to be directors on the Board on receipt of the necessary approvals from the Stock Exchanges as per the provisions of the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992 with effect from 24th April 2019. Mr. Samir Bhatia and Mr. Malay Patel were appointed as Additional

Independent Directors by the Board pursuant to Section 161 of the Companies Act, 2013 and as per the recommendations of the Nomination and Remuneration Committee. Approvals from the Stock Exchanges for their appointments pursuant to the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992 were received effective 5th July 2019 and 29th January 2020 respectively. Mr. Samir Bhatia and Mr. Malay Patel will hold office up to the conclusion of the ensuing Annual General Meeting and their appointments as Independent Directors will be considered by the shareholders at the said meeting. All the Directors other than Mr. Dhiraj Relli and Mr. Ashish Rathi are non-executive Directors as on the date of this report. The Company has 3 (three) Independent Directors and 5 (five) Non-Independent Directors as on the date of this report.

Mr. Abhay Aima, Mr. Ashish Rathi, Mr. Bharat Shah, Mr. Dhiraj Relli and Mr. Jagdish Capoor are the Non-Independent Directors on the Board.

Dr. (Mrs.) Amla Samanta, Mr. Malay Patel and Mr. Samir Bhatia are Independent Directors on the Board.

None of the Directors are related to each other.

COMPOSITION OF COMMITTEES OF DIRECTORS

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

The various Committees of the Board as on 31 March 2020 are as follows:

Audit Committee:

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

The Committee met 4 (four) times during the year. The meetings of the Committee were held on 16 April 2019, 16 July 2019, 14 October 2019 and 15 January 2020.

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

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

Nomination & Remuneration Committee:

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

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

The Committee met 5 (five) times during the year. The meetings of the Committee were held on 16 April 2019, 21 June 2019, 14 October 2019, 19 November 2019 and 15 January 2020.

CAPEX Committee:

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

The members of the Committee are Mr. Abhay Aima, Mr. Bharat Shah, Mr. Dhiraj Relli and Mr. Jagdish Capoor. The Committee met twice during the year on 21 June 2019 and 14 October 2019.

Share Allotment and Transfer Committee:

The Share Allotment and Transfer Committee approves and monitors allotments, transfers, transmission, splitting and consolidation of shares issued by the Company. The Committee consists of Mr. Ashish Rathi, Mr. Bharat Shah and Mr. Dhiraj Relli. The Committee met twice during the year on 7 June 2019 and 6 March 2020.

Corporate Social Responsibility (CSR) Committee:

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

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

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

The Committee met thrice during the year. The meetings of the Committee were held on 16 April 2019, 14 October 2019 and 15 January 2020.

Investment Management Committee:

The Investment Management Committee considers and approves the investment of funds by the Company within the overall limits approved by the Board. The Committee consists of Mr. Dhiraj Relli, Mr. C.V. Ganesh and Mr. N. E. Venkitakrishnan. The Committee met thrice during the year on 10 May 2019, 24 September 2019 and 6 December 2019.

Research Analyst Remuneration Committee:

The Research Analyst Remuneration Committee considers and approves the remuneration of individuals employed as Research Analyst in accordance with the Policy and Procedures framed for regulating the Research Analyst pursuant to the SEBI (Research Analyst) Regulations, 2014. The Committee consists of Dr. (Mrs.) Amla Samanta, Mr. Ashish Rathi, Mr. Dhiraj Relli and Ms. Reynu B Bhat. The Committee met twice during the year on 16 April 2019 and 14 October 2019.

General Body Meetings

(During previous three financial years)

Meeting	Date and Time	Venue	No. of Special Resolutions passed
19th AGM	21 June 2019 at 12 Noon	HDFC Bank House, 5th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	One
18th AGM	22 June 2018 at 12 Noon	HDFC Bank House, 5th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	None
17th AGM	21 June 2017 at 11.30 AM	HDFC Bank House, 5th Floor, S.B. Marg, Lower Parel, Mumbai 400 013	None

The following special resolutions were passed by means of a Postal Ballot on 4 March 2020.

- 1) To give loans, inter corporate deposits, give guarantees in connection with loans made by any person or body corporate and acquire by way of subscription, purchase or otherwise the securities of any other body corporate in excess of the limits prescribed in Section 186 of the Companies Act 2013.
- 2) To increase the limits of borrowing by the Board of Directors of the Company under Section 180 (1) (c) of the Companies Act 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors hereby states that:

1. In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies, applied them consistently, made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2020 and of the profit of the Company for the year ended on that date;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on a going concern basis;
5. We have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
6. We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

INTERNAL FINANCIAL CONTROLS

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

DECLARATION BY INDEPENDENT DIRECTOR

Dr. (Mrs.) Amla Samanta, Mr. Malay Patel and Mr. Samir Bhatia have given declarations stating that they meet the criteria of independence as provided under sub-section (6) of Section 149 of the Companies Act, 2013. The Board has taken the same on record. These Directors have also empanelled as Independent Directors on the portal of the Indian Institute of Corporate Directors as required under The Companies (Appointment & Qualification of Directors) Fifth Amendment Rules, 2019.

NOMINATION & REMUNERATION POLICY

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

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

The Company has also adopted the Directors' Performance Evaluation Policy including the criteria for performance evaluation. Pursuant thereto, the performance evaluation of Independent Directors is done by the entire Board, excluding the director being evaluated. The Independent Directors at a separate meeting held on 15 January 2020 have also reviewed

and evaluated the performance of the Non-Independent Directors and the entire Board.

AUDIT QUALIFICATIONS

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

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

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

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

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

RISK MANAGEMENT POLICY

The Company has a robust risk management policy wherein the various risks including market risk, liquidity risk and operational risk are identified and prudential limits are set internally by the Management to control and mitigate the risks with various risk strategy, policies, procedures and systems. The Company has a comprehensive centralised risk management function, independent from the operations and business units of the Company. A dedicated team with risk management

function is responsible for assessment, monitoring and reporting of risks. Material operational risk losses are examined thoroughly to identify areas of risk exposures and gaps in controls, basis which, appropriate risk mitigating actions are initiated. The Company periodically carries out liquidity stress testing which forms an integral part of the internal capital adequacy assessment process (ICAAP) both on historical and forecasted data.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

DIVIDEND

During the financial year under review, the Board of Directors declared two Interim Dividends of Rs.50/- per equity share (i.e. @ 500%) and Rs. 85/- per equity share (@ 850%) for the year ended 31 March 2020 on 19th December 2019 and 6th March 2020 respectively. The dividends have been paid to the shareholders and the necessary dividend distribution tax has been deposited by the Company.

AWARDS AND RECOGNITION

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

- a. Risk Management Team of the Year by UBS Forums
- b. Top 30 Corporate Communications Teams in India by Reputation Today
- c. Enterprise Mobility - BFSI Digital Innovation Awards 2019

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

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

DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Mr. Samir Bhatia and Mr. Malay Patel were appointed as Additional Independent Directors by the Board of Directors during the year on the recommendations of the Nomination and Remuneration Committee, subject to the approval of the members at the ensuing Annual General Meeting.

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

- 1) Mr. S.S.Thakur, an Independent Director and Mr. Bhavesh Zaveri, Additional Director submitted their resignations and ceased to be Directors with effect from 24/4/2019 on receipt of the necessary approvals pursuant to the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.
- 2) Mr. Samir Bhatia and Mr. Malay Patel were appointed as Additional Independent Directors during the year by the Board and the necessary approvals from the Stock Exchanges pursuant to the SEBI (Stock-brokers and Sub-brokers) Regulations 1992 have been received. They will

hold office up to the conclusion of the ensuing Annual General Meeting where the approval of the members of the Company will be sought for their appointment as Independent Directors for a first term of 5 years each.

- 3) Mr. C. V. Ganesh, Chief Financial Officer has submitted his resignation and is serving his notice period.

EMPLOYEE STOCK OPTIONS

The Company has granted 94,500 stock options to its employees during the year on 21 June 2019 at a price of Rs.4,844/- per share. Some of the stock options granted during the year 2016-17 were vested during the year and the relevant details on the subject have been disclosed in the notes forming part of the financial statements in Note No.43

PUBLIC DEPOSIT

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

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

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

AUDITORS

M/s. B S R & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022) were appointed as Statutory Auditors for a period of 5 (five) consecutive years up to the conclusion of the 23rd Annual General Meeting by the members at the Annual General Meeting held on 22 June, 2018

on a remuneration as may be fixed by the Board of Directors. Accordingly M/s. B S R & Co., LLP will continue as Statutory Auditors for the financial year 2020-21.

SECRETARIAL AUDIT

In terms of Section 204 of the Companies Act, 2013 and Rules made thereunder, M/s. BNP & Associates, Practicing Company Secretaries have been appointed Secretarial Auditors for the year 2019-20. The report of the Secretarial Auditors is enclosed in Form MR-3 to this Report - Annexure IV

ACKNOWLEDGEMENT AND APPRECIATION

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

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

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

On behalf of the Board of Directors

Dhiraj Relli
Managing Director

Bharat Shah
Chairman

Place: Mumbai
Date: June 10, 2020

Annexure I

FORM NO. AOC-2

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

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

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

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

On behalf of the Board of Directors

Place: Mumbai
Date: June 10, 2020

Dhiraj Relli **Bharat Shah**
Managing Director **Chairman**

Annexure II

REPORT ON CSR ACTIVITIES/INITIATIVES

[Pursuant to Section 135 of the Act & Rules made thereunder]

1. Brief Outline of the CSR Policy

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

2. The Composition of the CSR Committee

The CSR Committee consists of 4 (four) Directors out of which 1 (one) Director is an Independent Director.

The members of the CSR Committee are as follows:

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

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

Rs. 449.76 crore

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

Rs. 9 crore

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

- (a) Total amount spent for the financial year 2019-20 - **Rs. 9.001 crore**

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

1. During the year, the Company spent a total amount of Rs. 9.001 crore across various CSR Projects identified by the Company through implementing agencies and directly.

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

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR Project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) projects or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent : Direct or through *implementing agency
1.	Sanitation and Smart Classrooms for schools.	Promotion of Education & Sanitation	Maharashtra	3,60,24,325	3,60,24,325	3,60,24,325	Implementing Agency
2.	Renovation /Setting up of Sadans and educational sponsorship for women and orphans.	Promotion of Education	Maharashtra	1,00,00,000	1,00,00,000	1,00,00,000	Implementing Agency

3.	Providing scholarships to underprivileged rural children	Promotion of Education	Tamilnadu	2,25,60,000	2,25,60,000	2,25,60,000	Implementing Agency
4.	Supporting India's best athletes in their training and preparation for the Olympic Games	Promotion of Olympic Sports	Pan India	1,25,00,000	1,25,00,000	1,25,00,000	Implementing Agency
5.	Providing financial support, medicines and check up for patients undergoing medical treatment	Preventive & curative healthcare	Maharashtra	15,00,000	15,00,000	15,00,000	Implementing Agency
6.	Purchase of vehicles to transport meals	Eradicating Hunger	Gujarat	25,74,546	25,74,546	25,74,546	Implementing Agency
7.	Providing round the clock pre-hospital emergency transportation (Ambulance) care service in border areas	Preventive & curative healthcare	Jammu & Kashmir	32,70,725	32,70,725	32,70,725	Implementing Agency
8.	Providing medical facilities through Mobile Medical Unit and setting up non formal education centres to inculcate moral and ethical values, etiquette and hygiene among the local poor children	Healthcare	Tamil Nadu	7,80,000	7,80,000	7,80,000	Direct
9..	CSR Administration Cost			8,00,000	8,00,000	8,00,000	

*Details of the implementing agencies are listed below:

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

6. Reason for not spending the amount

None. The Company has committed and disbursed the entire stipulated amount of 2% of the average net profit as a part of its CSR implementing programme in the FY 2019-20 and FY 2018-19.

7. Responsibility statement by the CSR Committee

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

On behalf of the Board of Directors

Place: Mumbai
Date: June 10, 2020

Dhiraj Relli **Bharat Shah**
Managing Director **Chairman**

Annexure III

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

Particulars of Top 10 employees in terms of remuneration drawn (Employed throughout the year except S.No. 9 who was 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
1) Mr.Dhiraj Relli \$ B.Com (Hon.), ACA, Advanced Mgmt.Prog. (IIM Bengaluru)	50	Managing Director	1 May 2015	2,66,72,952	25	HDFC Bank Ltd.
2) Mr.Siddharth Shah B.Com	60	Head -Branch Dealing	1 June 2010	1,46,98,295	39	HDFC Bank Ltd
3) Mr. C.V. Ganesh B.Com, CA, CWA	48	Chief Financial Officer	2 May 2008	1,13,01,493	26	Citi Technology Services Ltd.
4) Mr. Deepak Jasani B.Com, LL.B, FCA, CFA	56	Head-Retail Research	7 April 2004	1,04,42,514	25	Kaji & Maulik Services Ltd.
5) Mr. Vinod Kumar Sharma B.Com, MBA	58	Equity Market Specialist	30 October 2009	89,47,837	35	Anagram Securities Limited
6) Mr. Dipen Sheth B Tech (IIT), PGDBM (IIM)	53	Head-Retail Equity and Strategic Marketing	12 April 2012	85,21,504	28	Edelweiss Securities
7) Ms. Reynu B Bhat B.Sc.	56	Head-Human Resources	15 January 2004	78,84,971	25	Microwave Communication Limited
8) Mr. Ashish Rathi B.Com, ACA	40	Wholetime Director & Head - Operations, Risk & Compliance	1 September 2003	75,08,326	18	Rafaga Info Knowledge
9) Mr. Varun Lohchab B.E, MBA	42	Head-Institutional Research	2 January 2020	71,73,552	15	Jeffries India
10) Mr. S. Sambath Kumar B.Com	44	Head-Third Party Products & Distribution	12 January 2015	69,55,568	21	Reliance Capital

\$ On deputation

Notes:

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

On behalf of the Board of Directors

Place: Mumbai
Date: June 10, 2020

Dhiraj Relli **Bharat Shah**
Managing Director **Chairman**

Form No. MR-3
SECRETARIAL AUDIT REPORT
For the financial year ended March 31, 2020

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

To,

The Members

HDFC Securities Limited

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

We have conducted a Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HDFC Securities Limited having CIN U67120MH2000PLC152193 (hereinafter called the ‘Company’) during the financial year from 1st April 2019 to 31st March 2020, (‘the year’/ ‘audit period’/ ‘period under review’).

We conducted the Secretarial Audit in a manner that provided us a reasonable basis for evaluating the company’s corporate conducts/ statutory compliances and expressing our opinion thereon.

We are issuing this report based on:

- (i) our verification of the books, papers, minute books, scanned copies of minutes of Board and Committee, statutory registers, soft copy of the various records sent over mail as provided by the company and other records maintained by the Company and furnished to us, forms / returns filed and compliance related action taken by the company during the financial year ended 31st March 2020 as well as before the issue of this report,
- (ii) Our observations during our visits to the corporate office of the Company,
- (iii) Compliance Certificates confirming Compliance with all laws applicable to the company given by Key Managerial Personnel / Senior Managerial Personnel of the company and taken on record by Audit Committee / Board of Directors, and
- (iv) Representations made, documents shown and information provided by the company, its officers, agents, and authorised representatives during our conduct of Secretarial Audit.

We hereby report that in our opinion, during the audit period covering the financial year ended on 31st March 2020 the Company has:

- (i) complied with the statutory provisions listed hereunder, and
- (ii) Board-Processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

The members are requested to read along with our letter of even date annexed to this report as Annexure-A.

1. Compliance with specific statutory provisions

We further report that:

- 1.1. We have examined the books, papers, minute books and other records maintained by the Company and the forms, returns, reports, disclosures and information filed or disseminated during the year according to the applicable provisions/ clauses of:
 - (i) The Companies Act, 2013 and the Rules made thereunder;
 - (ii) The Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder;
 - (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

- (iv) The following Regulations Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Regulations'):
- a. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - b. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, to the extent applicable for company having Listed Commercial Paper;
 - c. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993; regarding the Companies Act and dealing with client;
 - d. The Securities and Exchange Board of India (Stock Brokers and Sub- Brokers) Regulations, 1992 except guidelines, circulars, master circulars and directions issued by the Securities and Exchange Board of India and the Stock Exchanges and applicable to the Company as a stock broker relating to its day to-day operations in the ordinary course of business.
 - e. The Securities and Exchange Board of India (Research Analysts) Regulations, 2019
- (v) Secretarial Standards issued by The Institute of Company Secretaries of India (Secretarial standards).
- 1.2. During the period under review, and also considering the compliance related action taken by the company after 31st March 2020 but before the issue of this report, the company has, to the best of our knowledge and belief and based on the records, information, explanations and representations furnished to us :
- (i) Complied with the applicable provisions/clauses of the Act, Rules, SEBI Regulations and Agreements mentioned under sub-paragraphs (ii),(iii) and (iv) of paragraph 1.1 above.
 - (ii) Generally complied with the applicable provisions / clauses of :
 1. The Act and rules mentioned under paragraph 1.1 (i);
 2. The Secretarial standards on meetings of the Board of Directors (SS-1) and Secretarial standards on General Meetings (SS-2) mentioned under paragraph 1.1 (v) above to the extent applicable to Board and Committee Meetings held during the year, the 19th Annual General Meeting held on 21st June 2019 (19th AGM). The Compliance of the provisions of the Rules made under the Act [paragraph 1.1(i)] and SS-1 [paragraph 1.1(v) with regard to the Board meeting held through video conferencing on 16th July 2019 were verified based on the minutes of the meeting provided by the company.
- 1.3. We are informed that, during/in respect of the year, the company was not required to initiate any compliance related action in respect of the following laws/rules/regulations/standards, and was consequently not required to maintain any books, papers, minute books or other records or file any form/ returns thereunder:
- (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (ii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (iii) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (iv) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (v) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
 - (vi) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and
 - (vii) The Securities and Exchange Board of India (Portfolio Managers) Regulation, 1993; and
 - (viii) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- 1.4. There was no other law that was specifically applicable to the company, considering the nature of its business. Hence the requirement to report on compliance with any other specific law under paragraphs 1.1 and 1.2 above did not arise.

2. Board processes:

We further report that:

2.1 The Board of Directors of Company as on 31st March 2020 comprised of:

- (i) Two Executive Director,
- (ii) Three Non-Executive Non Independent Director, and
- (iii) Three Non-Executive Independent Directors, including a woman Independent Director.

2.2 The processes relating to the following changes in the composition of the Board of Directors during the year were carried out in compliance with the provisions of the Act and LODR:

- (i) Re-appointment of Mr. Bharat Shah (DIN 00136969) and Mr. Ashish Rathi (DIN 07731968) as Directors retiring by rotation at 19th AGM,
- (ii) Re-appointment of Dr. (Mrs.) Amla Samanta (DIN 00758883), Women Independent Director for a second term of five years from 9th July 2019 to 8th July 2024, at 19th AGM.
- (iii) Appointment of Mr. Samir Bhatia (DIN 01769655) as Additional Independent Director at the Board Meeting held on 21st June 2019.
- (iv) Appointment of Mr. Malay Patel (DIN06876386) as Additional Independent Director at the Board Meeting held on 15th January 2020.

2.3 Adequate notice was given to all the directors to enable them to plan their schedule for the Board and Committee meeting.

2.4 Notice, Agenda and detailed notes on agenda of Board and Committee meetings was sent to directors at least seven days in advance.

2.5 A system exists for directors to seek and obtain further information and clarifications on the agenda items before the meetings and for their meaningful participation at the meetings.

2.6 We note from the minutes verified that, at the Board meetings held during the year:

- (i) Majority decisions were carried through; and
- (ii) No dissenting views were expressed by any Board member on any of the subject matters discussed, that were required to be captured and recorded as part of the minutes.

3. Compliance mechanism

There are reasonably adequate systems and processes in the company, commensurate with the company's size and operations, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. There is scope for further improvement in the compliance systems and processes, commensurate with the increasing statutory requirements and growth in operations.

4. Specific events/ actions

4.1 During the year, the following specific events/ actions having a major bearing on the company's affairs took place, in pursuance of the above referred laws, rules, regulations and standards:

- (i) During the year (FY 2019-20) the Company has issued Commercial Paper worth Rs. 1190 crore which were listed on BSE out of which Commercial Papers worth Rs. 490 crore were redeemed during the year.

For BNP & Associates
Company Secretaries

Avinash Bagul
Partner

Place: Mumbai
Date: June 10, 2020

FCS: 5578 CP No: 19862

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

Annexure A

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

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

1. The Company's management is responsible for maintenance of secretarial records and compliance with the provisions of corporate and other applicable laws, rules, regulations and standards. Our responsibility is to express an opinion on the secretarial records produced for our audit.
2. We have followed such audit practices and processes as we considered appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records.
3. While forming an opinion on compliance and issuing this report, we have also considered compliance related action taken by the company after 31st March 2020 but before the issue of this report.
4. We have considered compliance related actions taken by the company based on independent legal /professional opinion obtained as being in compliance with law.
5. We have verified the secretarial records furnished to us on a test basis to see whether the correct facts are reflected therein. We also examined the compliance procedures followed by the company on a test basis. We believe that the processes and practices we followed, provides a reasonable basis for our opinion.
6. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
7. We have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, wherever required.
8. Our Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For BNP & Associates
Company Secretaries

Place: Mumbai
Date: June 10, 2020

Avinash Bagul
Partner
FCS: 5578 CP No: 19862

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HDFC SECURITIES LIMITED
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HDFC Securities Limited (“the Company”), which comprise the Balance Sheet as at 31 March 2020, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 (“Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter

The Key Audit Matter	How the matter was addressed in our audit
Information Technology	
<p>IT systems and controls</p> <p>The Company's key financial accounting and reporting processes are highly dependent on the automated controls implemented in the Information Technology (IT) systems. Consequently, there exists a risk that, gaps in the IT control environment could result in the financial accounting and reporting records, being misstated.</p> <p>The Company's General Ledger system used for overall financial reporting is interfaced with other systems (which process transactions) impacting significant accounts.</p> <p>We have identified 'IT systems and control' as Key audit matter, since for the revenue recognition (commission and interest), the Company relies on automated processes and controls for recording of revenue.</p>	<p>We have focused on General IT controls i.e. access and change management controls, program, development and computer operations control and IT application controls i.e. controls on relevant system based reconciliation, system generated reports and system/application processing over key financial accounting, reporting systems and control systems.</p> <p>Our audit procedures to assess the effectiveness of IT system included the following:</p> <ul style="list-style-type: none"> ● Performed walkthroughs to evaluate the design and implementation of key automated controls. Involved our IT specialist to test the effectiveness of identified IT automated controls and IT systems. IT specialist tested relevant key controls operating over IT in relation to financial accounting and reporting systems, including general controls relating to access and change management controls, program development and computer operations. ● IT specialists tested design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and other preventive controls. ● For a selected group of key controls over financial and reporting system, IT specialists independently performed procedures. The procedures were to determine that these controls remained unchanged during the year or were changed following the standard change management process. ● Other independently assessed areas included password policies, security configuration, system generated reports and system interface controls. ● Evaluating the design, implementation and operating effectiveness of identified significant accounts related IT automated controls which are relevant for accuracy of system logic and consistency of data transmission.

Other Information (or another title if appropriate, such as “Information Other than the Financial Statements and Auditors’ Report Thereon”)

The Company’s management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company’s annual report, but does not include the financial statements and our auditors’ report thereon. The Director’s report and MD&A report is expected to be made available to us after the date of this Auditor’s report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Management’s Responsibility for the Financial Statements

The Company’s management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

(A) As required by Section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the statement of profit and loss (including other comprehensive income), statement of changes in equity and the statement of cash flow dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under section 133 of the Act.
- e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its financial statements - refer Note 36 to the financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. there are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under section 197(16) which are required to be commented upon by us.

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

Place : Mumbai
Date : 16 April 2020

Ajit Viswanath
Partner
Membership No: 067114
UDIN: 20067114AAAAAL2524

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

- (i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. Fixed assets were physically verified by management in accordance with a regular programme of verification which, in our opinion, is reasonable. According to information and explanation given to us, no material discrepancies were noticed on such verification.
- c. According to the information and explanation given to us and examination of the relevant records and registered title deed provided to us, we report that, title deed comprising of the immovable properties being office premises is held in the name of the Company as at balance sheet date.
- (ii) The Company does not have any inventory, and thus, paragraph 3(ii) of the Order is not applicable.
- (iii) In our opinion and according to the information and explanation given to us, the Company has not granted any loans, secured or unsecured, to Companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly paragraph 3(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanation given to us, the Company has not given any loans to directors and other parties covered under section 185 of the Act, and has complied with the provisions of sections 186 of the Act in respect of its investments.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed thereunder apply. Accordingly, paragraph 3(v) of the Order is not applicable.
- (vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the activities conducted / services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable.
- (vii) a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, goods and service tax, cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales-tax, duty of customs, duty of excise and value added tax for the year ended 31 March 2020.

According to the information and explanations given to us, no undisputed statutory dues payable in respect of provident fund, employees' state insurance, income-tax, service tax, cess and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.

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

Name of Statute	Nature of Dues	Amount (Rs. In lacs)	Relevant period	Forum
Income Tax Act, 1961	Income Tax	253	Assessment Year 2012-13	Commissioner of Income Tax (Appeal)
Income Tax Act, 1961	Income Tax	65	Assessment Year 2014-15	Commissioner of Income Tax (Appeal)
Income Tax Act, 1961	Income Tax	2,516	Assessment Year 2017-18	Commissioner of Income Tax (Appeal)
Income Tax Act, 1961	Income Tax	1,875	Assessment Year 2018-19	Commissioner of Income Tax (Appeal)
Finance Act, 1994	Service Tax	4	Financial Years 2004-05 and 2005-06	Commissioner of Central Excise (Appeal)
Finance Act, 1994	Service Tax	636	Financial Years 2012-13 and 2016-17	Custom, Excise and Service Tax Appellate Tribunal
Jammu and Kashmir Stamp Act, 1977	Stamp Duty	58	Financial Years 2011-12 and 2016-17	Jammu and Kashmir High Court

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

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

Place : Mumbai
Date : 16 April 2020

Ajit Viswanath
Partner
Membership No: 067114
UDIN: 20067114AAAAAL2524

Annexure - B to the Independent Auditor's Report on the financial statements of HDFC Securities Limited for the period ended 31 March 2020.

Report on the Internal Financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013.

(Referred to in paragraph 1(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of HDFC Securities Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditor's Responsibility

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

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

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

Meaning of Internal Financial controls with reference to Financial Statements

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

Inherent Limitations of Internal Financial controls with reference to Financial Statements

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

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

Place : Mumbai
Date : 16 April 2020

Ajit Viswanath
Partner
Membership No: 067114
UDIN: 20067114AAAAAL2524

Balance Sheet as at 31 March 2020

(Rs. in lacs)

Particulars	Note	As at	
		31 March 2020	31 March 2019
ASSETS			
Financial Assets			
Cash and cash equivalents	4	98,260	19,538
Bank Balance other than (4) above	5	98,535	38,681
Receivables			
Trade Receivables	6	16,538	65,911
Loans	7	22,843	22,632
Investments	8	2,862	42,067
Other Financial Assets	9	22,435	4,819
		<u>261,473</u>	<u>193,648</u>
Non-Financial Assets			
Current tax assets		1,622	1,412
Deferred tax Assets (Net)	34	226	-
Investment Property	10	1,452	1,480
Property, Plant and Equipment	11	8,884	3,814
Capital work-in-progress	11	735	319
Intangible assets under development	11	578	753
Other Intangible assets	11	1,542	1,392
Other non-financial assets	12	542	903
		<u>15,581</u>	<u>10,073</u>
TOTAL ASSETS		277,054	203,721
LIABILITIES AND EQUITY			
LIABILITIES			
Financial Liabilities			
Payables	13		
Trade Payables			
- total outstanding dues of micro enterprises and small enterprises		13	4
- total outstanding dues of creditors other than micro enterprises and small enterprises		65,225	74,363
Borrowings	14	69,091	-
Lease Liability	15	6,021	-
Other financial liabilities	16	680	390
		<u>141,030</u>	<u>74,757</u>
Non-Financial Liabilities			
Current tax liabilities		179	354
Provisions	17	7,132	6,533
Deferred tax liabilities (Net)	34	-	932
Other non-financial liabilities	18	3,953	1,769
		<u>11,264</u>	<u>9,588</u>
Equity			
Equity Share capital	19	1,573	1,561
Other Equity	20	123,187	117,815
		<u>124,760</u>	<u>119,376</u>
TOTAL LIABILITIES AND EQUITY		277,054	203,721

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

As per our report of even date.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AJIT VISWANATH

Partner

Membership No. 067114

Place : Mumbai

Date : 16 April, 2020

For and on behalf of the Board of Directors of

HDFC Securities Limited

CIN Number: U67120MH2000PLC152193

DHIRAJ RELLI

Managing Director

DIN: 07151265

ASHISH RATHI

Whole Time Director

DIN: 07731968

C. V. GANESH

Chief Financial Officer

N.E. VENKITAKRISHNAN

Company Secretary

Statement of Profit and Loss for the year ended 31 March 2020

(Rs. in lacs)

Particulars	Note	Year ended	
		31 March 2020	31 March 2019
Revenue from operations			
Brokerage and Fee Income	21	68,779	65,216
Interest Income	22	14,643	6,980
Sale of Services	23	307	774
Net gain on fair value changes	24	1,736	3,833
Rental Income	25	207	179
Dividend Income	26	75	74
Total Revenue from operations		85,747	77,056
Other Income	27	479	10
Total Income		86,226	77,066
Expenses			
Finance Costs	28	2,878	11
Impairment on financial instruments	29	132	4
Employee Benefits Expenses	30	19,688	15,293
Depreciation, amortization and impairment	10,11	3,036	1,864
Other expenses	31	9,591	10,371
Total Expenses		35,325	27,543
Profit before tax		50,901	49,523
Tax expense			
Current Tax	34	13,645	16,809
Deferred Tax		(1,159)	(268)
Total tax expense		12,486	16,541
Profit for the year		38,415	32,982
Other comprehensive income :			
<u>Items that will not be reclassified to profit or loss:</u>			
Re-measurement gains on defined benefit plans		3	114
Income tax effect		(1)	(39)
Other comprehensive income for the year, net of tax		2	75
Total comprehensive income for the period, net of tax		38,417	33,057
Earnings per equity share - [Nominal value of the shares Rs 10]			
Basic (Annualised)		245.86	212.00
Diluted (Annualised)		245.91	210.64

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

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

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AJIT VISWANATH
Partner
Membership No. 067114

Place : Mumbai

Date : 16 April, 2020

For and on behalf of the Board of Directors of

HDFC Securities Limited

CIN Number: U67120MH2000PLC152193

DHIRAJ RELLI
Managing Director
DIN: 07151265
ASHISH RATHI
Whole Time Director
DIN: 07731968
C. V. GANESH
Chief Financial Officer
N.E. VENKITAKRISHNAN
Company Secretary

Statement of Changes in Equity for the year ended 31 March 2020

Equity Share Capital

Equity shares of INR 10 each issued, subscribed and fully paid

(Rs. in lacs)

Particulars	Number of shares	Amount
Balance as at 1 April 2019	15,613,825	1,561
Changes in equity share capital during FY 2019-20	116,150	12
Balance as at 31 March 2020	15,729,975	1,573

Other Equity

(Rs. in lacs)

Particulars	Reserves and Surplus					Other Comprehensive Income	Total
	Share based payment reserve	Securities premium	General reserve	Capital Contribution from parent	Retained Earnings		
Balance as at 1 April 2019	400	5,248	2,500	760	108,738	169	117,815
Premium on issue of share capital	-	1,308	-	-	-	-	1,308
Profit For the year	-	-	-	-	38,415	-	38,415
Dividends excluding dividend tax	-	-	-	-	(29,769)	-	(29,769)
Dividend Distribution Tax	-	-	-	-	(6,119)	-	(6,119)
Transfer to Securities	(451)	451	-	-	-	-	-
Premium from share based payment reserve	-	-	-	-	-	-	-
Share based payment cost	758	-	-	777	-	-	1,535
Other Comprehensive Income	-	-	-	-	-	2	2
Balance as at 31 March 2020	707	7,007	2,500	1,537	111,265	171	123,187

Refer Note # 20 for description of the purpose of each reserve within equity (as per schedule III)

As per our report of even date.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AJIT VISWANATH

Partner

Membership No. 067114

Place : Mumbai

Date : 16 April, 2020

For and on behalf of the Board of Directors of

HDFC Securities Limited

CIN Number: U67120MH2000PLC152193

DHIRAJ RELI

Managing Director

DIN: 07151265

ASHISH RATHI

Whole Time Director

DIN: 07731968

C. V. GANESH

Chief Financial Officer

N.E. VENKITAKRISHNAN

Company Secretary

Cash Flow Statement for the year ended 31 March 2020

(Rs. in lacs)

Particulars	Year ended	
	31 March 2020	31 March 2019
<u>Cash Flow from operating activities</u>		
Profit before tax	50,901	49,523
<u>Adjustments</u>		
Depreciation & Amortization	3,036	1,864
Employee stock option compensation cost	1,535	729
Impairment loss on financial assets	132	4
Loss on sale / w/off of Property, Plant & Equipment	6	(5)
Rental income from investment property	(207)	(179)
Gain on sale of investment	(1,736)	(3,833)
Finance Costs	2,878	11
Interest income	(8)	(8)
Dividend Income	(75)	(74)
	56,462	48,032
Working capital adjustments:		
Decrease/ (Increase) in Bank Balance	(59,854)	(29,545)
Decrease / (Increase) in trade receivables	49,241	(23,965)
Decrease / (Increase) in loans	(211)	(22,632)
Decrease / (Increase) in Other financial assets	(17,617)	(2,199)
Decrease / (Increase) in Other non-financial assets	362	(364)
Increase/ (Decrease) in trade and other payables	(9,129)	22,720
Increase/ (Decrease) in lease liability	6,021	-
Increase/ (Decrease) in other financial liabilities	289	314
Increase/ (Decrease) in Provisions	602	(1,327)
Increase/ (Decrease) in Other non-financial liabilities	2,185	(1,780)
	28,351	(10,746)
Income tax paid	(14,030)	(17,309)
Net Cash Flow from operating activities	(A) 14,321	(28,055)
Investing activities		
Purchase of property, plant and equipment	(8,482)	(2,054)
Purchase of Investment Property	7	-
Rental income received	207	179
Purchase of investments	(328)	(21,934)
Proceeds from sale of current investments	41,269	62,921
Dividend received	75	74
Interest received	8	8
Net cash flows from investing activities	(B) 32,755	39,195

Cash Flow Statement for the year ended 31 March 2020

(Rs. in lacs)

	Year ended	
	31 March 2020	31 March 2019
Financing activities:		
Proceeds from Issuance of equity share capital	1,320	694
Proceeds from Issuance of Commercial Papers	168,091	-
Redemption of Commercial Papers	(99,000)	-
Finance Costs	(2,878)	(11)
Dividend paid, including dividend tax	(35,888)	(18,790)
Net cash (used in) financing activities	(C) 31,645	(18,107)
Net increase in cash and cash equivalents (A+B+C)	78,722	(6,968)
Cash and Cash equivalents at the beginning of the year	19,538	26,506
Cash and Cash equivalents at the end of the year	98,260	19,538
Components of cash and cash equivalents		
Imprest Cash*	0	-
Balances with Banks - In current accounts	98,260	19,538
Cash and Cash equivalents at the end of the year (Refer Note # 4)	98,260	19,538

* Amount less than Rs 50000

No significant non cash movement in borrowings

As per our report of even date.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AJIT VISWANATH

Partner

Membership No. 067114

Place : Mumbai

Date : 16 April, 2020

For and on behalf of the Board of Directors of

HDFC Securities Limited

CIN Number: U67120MH2000PLC152193

DHIRAJ RELLI

Managing Director

DIN: 07151265

ASHISH RATHI

Whole Time Director

DIN: 07731968

C. V. GANESH

Chief Financial Officer

N.E. VENKITAKRISHNAN

Company Secretary

Notes forming part of the Financial Statements for the year ended 31 March 2020

1 Corporate Information

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

2 Basis of preparation

2.1. Statement of compliance

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 (“the Act”) (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Details of Companies Accounting Policies are included in Note 3

2.2. Functional and presentation currency

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

2.3. Basis of measurement

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

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

Share Based payments	Fair value (refer accounting policies regarding financial instruments)
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2.4. Use of estimates & Judgements

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

I. Determination of the estimated useful lives of tangible assets

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

II. Recognition and measurement of defined benefit obligations

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

Notes forming part of the Financial Statements for the year ended 31 March 2020

its long term nature, defined benefit obligation is sensitive to changes in these assumptions. Further details are disclosed in note 38.

III. Recognition of deferred tax assets / liabilities

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

IV. Recognition and measurement of provision and contingencies

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

V. Fair valuation of employee share options

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

VI. Determining whether an arrangement contains a lease

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

VII. Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-

impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2.5. Measurement of fair values

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

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

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

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

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

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

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

3 Significant accounting policies

3.1. Revenue from Contracts with Customers

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115, Revenue from contracts with customers, outlines a single comprehensive model of accounting for revenue arising from contracts with customers. The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

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

Notes forming part of the Financial Statements for the year ended 31 March 2020

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

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

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
 Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

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

3.2 Other Income

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

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

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
 - the gross carrying amount of the financial asset; or
 - the amortised cost of the financial liability.

3.3 Property, plant and equipment

i. Recognition and measurement

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

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

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

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

ii. Subsequent expenditure

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

iii. Depreciation

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

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

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

Notes forming part of the Financial Statements for the year ended 31 March 2020

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

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

All Property, plant and equipment costing less than Rs. 5,000 individually are fully depreciated in the year of purchase. Useful lives are reviewed at each financial year end and adjusted if required.

iv. Reclassification to investment property

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

3.4. Intangible assets

i. Recognition and measurement

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.

Cost of an intangible asset includes purchase price, non-refundable taxes and duties and any other directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

ii. Subsequent expenditure

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

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

iii. Amortisation

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

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

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

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

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

3.5. Investment property

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

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

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

Asset	Estimated useful life
Investment Property	60 years

Notes forming part of the Financial Statements for the year ended 31 March 2020

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

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

3.6. Impairment of non-financial assets

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

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

3.7. Financial Instruments

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

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

I. Recognition and initial measurement

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

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

II. Classification and subsequent measurement

Financial assets

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

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

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

Financial assets measured at amortized cost

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

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

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

Financial assets measured at Fair Value

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

Notes forming part of the Financial Statements for the year ended 31 March 2020

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

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

Financial Liabilities

Classification, subsequent measurement and gains and losses

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

III. Derecognition

Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial

asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

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

IV. Offsetting

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

V. Impairment

The Company recognises loss allowances for expected credit losses on:

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

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit- impaired. A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company considers that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

3.8. Employee benefits

i) Short term employee benefits

Short term employee benefits include salaries and short term cash bonus. A liability is recognised for the amount expected to be paid

Notes forming part of the Financial Statements for the year ended 31 March 2020

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

ii) Defined-contribution plans

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

iii) Defined benefit plans

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

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

iv) Other employee benefits

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

v) Share-based payment transactions

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

Notes forming part of the Financial Statements for the year ended 31 March 2020

3.9. Current and deferred tax

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

Current tax is measured at the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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

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

3.10. Provisions and contingent liabilities

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

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.

Bank Guarantee: Bank Guarantee are been taken from banks and kept with exchanges as a margin to meet the margin obligation.

3.11. Cash and Bank Balance

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

3.12. Leases

The Company as lessee

The Company lease as set classes primarily consist of leases for office premises. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (i) the contract involves the use of an identified asset
- (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
- (iii) the Company has the right to direct the use of the asset.

Notes forming part of the Financial Statements for the year ended 31 March 2020

At the date of commencement of the lease, the Company recognizes a right-of-use asset (“ROU”) and a corresponding lease liability for all lease arrangements in which it is a lessee.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

3.13. Foreign currency

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

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

Exchange differences that arise on settlement of monetary items or on reporting at each closing date of the Company’s monetary items at the closing rate are recognized as income and expenses in the

period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transactions.

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

3.14. Earning per Share

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

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

3.15. Segment Reporting

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

3.16. Borrowing Costs

The difference between the discounted amount mobilized and redemption value of commercial papers is recognized in the statement of profit and loss over the life of the instrument.

Notes forming part of the Financial Statements for the year ended 31 March 2020

Note 4: Cash and cash equivalents

(Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
(i) Imprest Cash*	0	-
(ii) Balances with Banks	98,260	19,538
Total	98,260	19,538

* Amount less than Rs 50000

Note 5: Bank Balance other than (4) above

(Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Earmarked accounts (unpaid dividend balance)*	0	-
Fixed Deposits with Banks #	98,535	38,681
Total	98,535	38,681

Note:

* Amount less than Rs 50000

Deposits pledged as margins / Bank Gaurantees

98,036	3,903
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Note 6: Receivables

Trade Receivables

(Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Receivables considered good - Secured	15,443	65,102
Receivables considered good - Unsecured	1,308	907
Less: Allowance for impairment loss	(213)	(97)
Total	16,538	65,911

Note: Dues from directors and other officers

- -

Note 7: Loans

(Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Amortised Cost		
Margin Trading Funding*	22,886	22,660
Less: Allowance for impairment loss	(43)	(28)
Total	22,843	22,632

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

Notes forming part of the Financial Statements for the year ended 31 March 2020
Note 8: Investments
(Rs. in lacs)
Particulars

As at	As at
31 March 2020	31 March 2019
At Fair Value	At Fair Value
Through profit or loss	Through profit or loss

Mutual Funds

DSP BlackRock Banking & PSU Debt-Direct-Growth	-	571
DSP BR Low Duration Fund - Direct (G)	-	2,321
HDFC Banking And PSU Debt Fund - Direct - Growth	-	628
HDFC Charity For Cancer Cure Direct - Arbitrage	100	100
HDFC Corporate Bond Fund - Direct -Growth	-	7,046
HDFC FMP 1158 D Feb (1) Series 39 -Dir-Growth	1,189	1,089
HDFC Hybrid Equity Fund - Direct -Quarterly - Div	-	294
HDFC Liquid Fund Direct - Growth	-	6,311
ICICI Pru Corporate Bond Fund - Direct - Growth	-	627
ICICI Pru Equity & Debt Fund - Direct Monthly Div	15	303
ICICI Pru FMP Series 82-1223 Days Direct Cumulativ	1,192	1,093
ICICI Prud. Banking and PSU Fund-Direct Grow-F/N	-	301
ICICI Prudential Liquid - Direct Plan - Growth	-	10,877
Kotak Banking and PSU Debt Fund	-	497
Mirae Asset Hybrid-Equity Fund-Direct-Div Payout	16	-
Nippon I Eq Hybrid - Segregated Portfolio1 Dir-Div	0	-
Reliance Banking and PSU Debt Fund - Dir Gw F/N	-	784
Reliance Equity Hybrid Fund - Direct -Monthly Div	-	303
Reliance Liquid Fund - Direct - Growth	-	3,740
TATA Liquid Fund - Direct - Growth	-	1,501
Tata Short Term Bond Fund - Direct - Growth	-	1,076
UTI Banking & PSU DEBT FUND- Direct Growth	-	617
UTI Liquid Cash Plan - Direct - Growth	-	1,502

Debt Securities

SBI Bonds	87	88
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Equity instruments

BSE Limited	150	397
Yes Bank Limited	109	-
Qfix Infocomm Private Limited	4	-

Total Gross (A)	2,862	42,067
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Investments in India	2,862	42,067
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Total (B)	2,862	42,067
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Less: Allowance for Impairment loss (C)	-	-
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Total Net (D) (A)-(C)	2,862	42,067
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Notes forming part of the Financial Statements for the year ended 31 March 2020

Note 9: Other Financials Assets

a) Advances and Deposits	(Rs. in lacs)	
	As at 31 March 2020	As at 31 March 2019
Particulars		
Security Deposits		
Unsecured, considered good	265	164
Unsecured, considered doubtful	18	15
Less: Impairment loss	(18)	(15)
Fixed Deposits*	5,006	313
Deposit with Stock Exchanges	13,757	1,249
Margin monies with clearing member	1	13
Other Advances	396	311
Sub total	19,425	2,050

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

b) Income Receivables	(Rs. in lacs)	
	As at 31 March 2020	As at 31 March 2019
Particulars		
Interest accrued but not due	2,550	2,128
Unbilled Revenue	460	641
Sub total	3,010	2,769
Total	22,435	4,819

Note 10: Investment Property

Particulars	(Rs. in lacs)	
	As at 31 March 2020	As at 31 March 2019
Investment property	1,452	1,480
Total	1,452	1,480

Reconciliation of carrying amount

Particulars	(Rs. in lacs)	
	As at 31 March 2020	As at 31 March 2019
Cost or Deemed Cost (gross carrying amount)	1,659	1,659
Accumulated depreciation opening	179	152
Depreciation for the year	28	27
Accumulated depreciation closing	207	179
Carrying amounts	1,452	1,480
Fair Value (Note #1)	3,950	3,246

Note 1:

The management has determined the fair value of the investment property by an independent valuer as per requirement of Ind AS 40, which is classified as Level 3

Notes forming part of the Financial Statements for the year ended 31 March 2020
Note 11: Property, Plant and Equipment

	Tangible Assets											Intangible Assets (Other than Internally generated)						
	Leasehold Imp. in Buildings on op. lease	Office Premises	Electricals	Furniture & Fixtures	Vehicles	Office Equipments	Computer Hardware, Networks & Servers	Total Tangible Assets (a)	Right to use asset (b)	Capital work-in-progress (c)	Total (a) + (b) + (c)	Bombay Stock Exchange Card	Computer software	Electronic trading platform (Website)	Total Intangible Assets (a)	Total Intangible assets under (a) + (b)		
Property, Plant and Equipment for current year	As at 01-04-2019	2,111	1,067	36	278	650	1,004	5,849	10,995	6,522	319	17,836	288	4,722	164	5,174	753	5,927
	Additions during the year	88	-	-	14	127	46	318	593	350	970	1,913	-	786	-	786	382	1,168
	Deletions/ Adjustments during the year	81	-	-	23	109	35	94	343	884	-	541	-	-	-	-	557	557
Gross Block	As at 31-03-2020	2,118	1,067	36	269	668	1,015	6,074	11,246	6,872	735	18,853	288	5,508	164	5,960	578	6,538
Accumulated Depreciation	As at 01-04-2019	1,236	114	20	208	295	757	4,551	7,181	-	-	7,180	288	3,331	163	3,782	-	3,782
	Charge for the year	179	18	3	21	155	112	749	1,237	1,134	-	2,371	-	635	1	636	-	636
	Deletions during the year	66	-	-	19	105	34	93	318	-	-	318	-	-	-	-	-	-
Net Block	As at 31-03-2020	875	953	16	70	355	247	1,298	8,104	1,134	319	9,238	288	3,966	164	4,418	753	2,146
	As at 31-03-2020	770	934	13	59	322	179	866	3,146	5,738	735	9,619	-	1,542	-	1,542	578	2,120

	Tangible Assets											Intangible Assets (Other than Internally generated)						
	Leasehold Imp. in Buildings on op. lease	Office Premises	Electricals	Furniture & Fixtures	Vehicles	Office Equipments	Computer Hardware, Networks & Servers	Total Tangible Assets (a)	Right to use asset (b)	Capital work-in-progress (c)	Total (a) + (b) + (c)	Bombay Stock Exchange Card	Computer software	Electronic trading platform (Website)	Total Intangible Assets (a)	Total Intangible assets under (a) + (b)		
Property, Plant and Equipment for current year	As at 01-04-2018	2,125	1,067	36	266	517	1,053	5,241	10,305	-	533	10,838	288	4,041	164	4,493	394	4,887
	Additions during the year	189	-	-	26	208	138	750	1,312	-	-	1,312	-	681	-	681	359	1,040
	Deletions/ Adjustments during the year	203	-	-	14	75	187	142	620	620	-	855	-	-	-	-	-	-
Gross Block	As at 31-03-2019	2,111	1,067	36	278	650	1,004	5,849	10,995	-	319	11,314	288	4,722	164	5,174	753	5,927
Accumulated Depreciation	As at 01-04-2018	1,150	96	16	191	206	820	3,943	5,934	-	-	5,934	288	2,796	162	3,246	-	2,850
	Charge for the year	238	18	4	28	142	122	748	1,301	-	-	1,301	-	535	1	536	-	536
	Deletions during the year	152	-	-	11	53	185	140	542	542	-	542	-	-	-	-	-	-
Net Block	As at 31-03-2019	975	971	20	75	311	233	1,298	3,882	-	533	4,416	288	3,331	163	3,782	394	1,641
	As at 31-03-2019	875	953	16	70	355	247	1,298	3,814	-	319	4,133	-	1,392	1	1,392	753	2,145

Notes forming part of the Financial Statements for the year ended 31 March 2020

Note 12: Other non-financial assets

(Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Prepaid Expenses	542	903
Total	542	903

Note 13: Payables

(Rs. in lacs)

Trade Payables

Particulars	As at 31 March 2020	As at 31 March 2019
Total outstanding dues of Micro enterprise and small enterprises	13	4
Total	13	4
Total outstanding dues of other than Micro enterprise and small enterprises		
Payable to Exchanges	3,006	22
Payable to Clients	62,119	74,267
Other trade payables	100	74
Total	65,225	74,363

Footnote:

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

(ii) The disclosures relating to Micro and Small Enterprises are as under:

(Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
(a) The principal amount remaining unpaid to any supplier as at the end of the accounting year	-	-
(b) The interest due thereon remaining unpaid to any supplier as at the end of the accounting year	13	4
(c) The amount of interest paid, along with the amount of payment made to the supplier beyond the appointed day during the year	-	-
(d) The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	4	2
(e) The amount of interest accrued during the year and remaining unpaid at the end of the accounting year	9	2
(f) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Notes forming part of the Financial Statements for the year ended 31 March 2020
Note 14: Borrowings (Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Commercial Papers	69,091	-
Total	69,091	-

Note:

As at 31/03/2020 (Rs. in lacs)

Tenure	Particulars	Rate of Interest	Maximum Outstanding
84-181 days	Commercial Papers	5.65% - 6.96%	70,000

As at 31/03/2019 (Rs. in lacs)

Tenure	Particulars	Rate of Interest	Maximum Outstanding
-	-	-	-

Note 15: Lease Liability (Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Lease Liability	6,021	-
Total	6,021	-

Note 16: Other financial liabilities (Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Security deposits received	71	65
Liabilities for capital goods	609	325
Unpaid dividends*	0	-
Total	680	390

* Amount less than Rs 50000

Note 17: Provisions (Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
(a) Provision for employee benefits		
Payroll & employee benefits	3,702	3,054
Provision for gratuity	79	6
Compensated absences	640	567
(b) Others		
Provision for expense	2,711	2,906
Total	7,132	6,533

Note 18: Other non-financial liabilities (Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred rental income	5	11
Statutory Dues including TDS and PF	3,632	1,102
Income received in advance	315	655
Provision for Fringe Benefit Tax	1	1
Total	3,953	1,769

Notes forming part of the Financial Statements for the year ended 31 March 2020

Note 19: Share Capital

The Company has issued equity shares, the details in respect of which are given below: (Rs. in lacs)

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
<u>Authorised</u>				
Equity Shares of Rs. 10 each	20,000,000	2,000	20,000,000	2,000
<u>Issued, Subscribed & Paid-up</u>				
Equity Shares of Rs. 10 each fully paid up	15,729,975	1,573	15,613,825	1,561
Total	15,729,975	1,573	15,613,825	1,561

(i) Reconciliation of the number of shares outstanding at the beginning and end of the year (Rs. in lacs)

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	15,613,825	1,561	15,552,675	1,555
Shares issued under ESOP during the year	116,150	12	61,150	6
Shares outstanding at the end of the year	15,729,975	1,573	15,613,825	1,561

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

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

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

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
Equity Shares held by HDFC Bank Limited	15,190,044	1,519	15,190,044	1,519
Total	15,190,044	1,519	15,190,044	1,519

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

Name of Shareholder	As at 31 March 2020		As at 31 March 2019	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
HDFC Bank Limited	15,190,044	96.57%	15,190,044	97.29%

(v) Shares reserved for issue under options

5,03,150 number of shares are reserved to be issued under employees stock option scheme (ESOP II)

Notes forming part of the Financial Statements for the year ended 31 March 2020
Note 20: Other Equity

(Rs. in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Share based payment reserve	707	400
Capital Contribution from parent	1,537	760
Securities Premium Account	7,007	5,248
Retained Earnings	108,738	94,546
Less: Appropriations - Final dividend on equity shares*	(8,590)	(6,998)
Less: Appropriations - Tax on dividend on equity shares	(6,119)	(3,204)
Less: Appropriations(-) Interim Dividends**	(21,179)	(8,588)
Profit for the year	38,415	32,982
Other Comprehensive Income	171	169
General Reserve Account	2,500	2,500
Total	123,187	117,815

* The Company has paid the final dividend for FY18-19 of Rs. 55 per share (For FY17-18 the final dividend was Rs. 45 per share) that it was declared during the year ended 31 March 2020

** The Company has paid the interim dividend of Rs. 135 per share. (Interim dividend for FY 18-19 was Rs. 55 per share) that it was declared during the year ended 31 March 2020

a Share based payment reserve

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

b Capital Contribution from parent

Capital contribution from parent is the parent Company share based payment cost of the employees who are on secondment with Company.

c Securities Premium Account

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act, 2013.

d Retained Earnings

Retained earnings represents surplus/accumulated earnings of the Company and are available for distribution to shareholders.

e Other comprehensive income

Other comprehensive income consist of remeasurement gains / losses on defined benefit plans.

f General Reserve Account

The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to statement of profit and loss.

Note 21: Brokerage and Fee Income

(Rs. in lacs)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Brokerage Income	56,537	52,598
Fee Income	12,242	12,618
Depository Income*	0	-
Total	68,779	65,216

* Amount less than Rs 50000

Notes forming part of the Financial Statements for the year ended 31 March 2020

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

Commission on sale of Life Insurance	2,650	2,116
Commission on sale of General Insurance	19	17
Commission on sale of Health Insurance	44	26

Note 22: Interest Income

(Rs. in lacs)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
On Financial Assets measured at Amortised Cost		
Interest on Loans	9,821	2,816
Interest on deposits with Banks	4,053	2,501
Other interest Income	761	1,655
On Financial Assets classified at fair value through profit or loss		
Interest income from investments	8	8
Total	14,643	6,980

Note 23: Sale of Services

(Rs. in lacs)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
SMS and Value Added Services	307	774
Total	307	774

Note 24: Net gain on fair value changes

(Rs. in lacs)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Net gain on financial instruments at fair value through profit or loss		
On Investment	1,736	3,833
Total	1,736	3,833
Fair Value changes:		
Realised	5,017	4,972
Unrealised	(3,281)	(1,139)
Total	1,736	3,833

Note 25: Rental Income

(Rs. in lacs)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Rental income from operating leases	202	175
Amortisation of deferred rental income	5	4
Total	207	179

Note 26: Dividend Income

(Rs. in lacs)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Dividend income on investments	75	74
Total	75	74

Notes forming part of the Financial Statements for the year ended 31 March 2020

Note 27: Other Income			(Rs. in lacs)	
Particulars	Year ended 31 March 2020	Year ended 31 March 2019		
Miscellaneous income	479	10		
Total	479	10		
Note 28: Finance Costs			(Rs. in lacs)	
Particulars	Year ended 31 March 2020	Year ended 31 March 2019		
On Financial liabilities measured at Amortised Cost				
Other interest expense	2,878	11		
Total	2,878	11		
Note 29: Impairment on financial instruments			(Rs. in lacs)	
Particulars	Year ended 31 March 2020	Year ended 31 March 2019		
On Financial instruments measured at Amortised Cost				
Loans	(28)	28		
Trade & Other Receivable	160	(24)		
Total	132	4		
Note 30: Employee Benefits Expenses			(Rs. in lacs)	
Particulars	Year ended 31 March 2020	Year ended 31 March 2019		
Salaries and wages	16,478	13,223		
Contribution to provident and other Funds	877	540		
Share Based Payments to employees	1,535	729		
Staff welfare expenses	798	802		
Total	19,688	15,293		
Note 31: Other expenses			(Rs. in lacs)	
Particulars	Year ended 31 March 2020	Year ended 31 March 2019		
Stamp, registration and trading expenses	987	874		
Legal and Professional charges	905	1,520		
Director's fees, allowances and expenses	27	32		
Repairs and Maintenance	1,977	1,807		
Rent, taxes and energy costs	1,292	1,951		
Advertisement and publicity	253	203		
Auditor's fees and expenses (Refer Note 46)	34	30		
Insurance	27	37		
Printing and stationery	177	176		
Expenditure on Corporate Social Responsibility (Refer Note 40)	903	688		
Communication Costs	1,384	1,766		
Other expenditure	1,625	1,287		
Total	9,591	10,371		

Notes forming part of the Financial Statements for the year ended 31 March 2020

32 Financial instruments

A. Financial instruments - Fair values

1. Accounting classification and fair values

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

The carrying value and fair value of financial instruments by categories as of 31 March 2020 are as follows:

(Rs in lacs)

March 31, 2020	Carrying amount			Fair value			
	FVTPL	Amortised	Total	Level	Level	Level	Total
	cost			1	2	3	
Financial assets							
<u>Financial assets measured at fair value</u>							
Investments	2,862		2,862	478	2,380	4	2,862
<u>Financial assets not measured at fair value</u>							
Cash and cash equivalents		98,260	98,260	-	-		-
Bank Balance other than above		98,535	98,535	-	-		-
Receivables				-	-		-
Trade Receivables		16,538	16,538	-	-		-
Loans		22,843	22,843	-	-		-
Other Financial Assets		22,435	22,435	-	-		-
Total	2,862	258,611	261,473	478	2,380	4	2,862
Financial liabilities							
<u>Financial liabilities not measured at fair value</u>							
Trade Payables		65,238	65,238	-	-		-
Borrowings		69,091	69,091	-	-		-
Lease Liability		6,021	6,021	-	-		-
Other financial liabilities		680	680	-	-		-
Total	-	141,030	141,030	-	-	-	-

The carrying value and fair value of financial instruments by categories as of 31 March 2019 are as follows: (Rs in lacs)

March 31, 2019	Carrying amount			Fair value			
	FVTPL	Amortised	Total	Level	Level	Level	Total
	cost			1	2	3	
Financial assets							
<u>Financial assets measured at fair value</u>							
Investments	42,067		42,067	39,885	2,182	-	42,067
<u>Financial assets not measured at fair value</u>							
Cash and cash equivalents		19,538	19,538	-	-		-
Bank Balance other than above		38,681	38,681	-	-		-
Receivables				-	-		-
Trade Receivables		65,911	65,911	-	-		-
Loans		22,632	22,632	-	-		-
Other Financial Assets		4,819	4,819	-	-		-
Total	42,067	151,581	193,648	39,885	2,182	-	42,067
Financial liabilities							
<u>Financial liabilities not measured at fair value</u>							
Trade Payables	-	74,367	74,367	-	-	-	-
Other financial liabilities	-	390	390	-	-	-	-
Total	-	74,757	74,757	-	-	-	-

Notes forming part of the Financial Statements for the year ended 31 March 2020

2. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principle (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether the price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on hierarchy of valuation techniques, as explained in the note 2.5.

Note:

Particulars	31 March 2020	31 March 2019
The fair value of collateral held	157,904	120,387

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

Transfers between Levels 1, 2 and 3

There were no transfers between level 1, 2 and 3.

3. Financial instruments not measured at fair value

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

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

B. Financial risk management

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

a. Credit Risk

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

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

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

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

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

Expected Credit Loss (ECL):

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

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

Notes forming part of the Financial Statements for the year ended 31 March 2020

The movement in expected credit loss

(Rs in lacs)

Particulars	Carrying amount	Carrying amount
	31 March 2020	31 March 2019
Opening balance	126	122
Impairment loss recognised / (reversed)	130	4
Closing balance	256	126

b. Liquidity risk

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

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

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

The following are the remaining contractual maturities of financial asset & liabilities as on 31 March 2020

Financial Assets

(Rs in lacs)

Particulars	Less than 1 year	1-2 years	Above 2 years	Total
Cash and cash equivalents	98,260	-	-	98,260
Other balances with banks	98,535	-	-	98,535
Receivables	16,538	-	-	16,538
Loans	22,843	-	-	22,843
Investments	2,753	-	109	2,862
Other Financial Assets	22,435	-	-	22,435
Total	261,364	-	109	261,473

Financial Liabilities

(Rs in lacs)

Particulars	Less than 1 year	1-2 years	Above 2 years	Total
total outstanding dues of micro enterprises and small enterprises	13	-	-	13
Payable to Exchanges	3,006	-	-	3,006
Payable to Clients	62,119	-	-	62,119
Other trade payables	100			100
Borrowings	69,091			69,091
Lease Liability	17	49	5,954	6,021
Other financial liabilities	680	-	-	680
Total	135,026	49	5,954	141,029

Notes forming part of the Financial Statements for the year ended 31 March 2020

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

Financial Assets (Rs in lacs)

Particulars	Less than 1 year	1-2 years	Above 2 years	Total
Cash and cash equivalents	19,538	-	-	19,538
Other balances with banks	38,681	-	-	38,681
Receivables	65,911	-	-	65,911
Loans	22,632			22,632
Investments	42,067	-	-	42,067
Other Financial Assets	4,819	-	-	4,819
Total	193,648	-	-	193,648

Financial Liabilities (Rs in lacs)

Particulars	Less than 1 year	1-2 years	Above 2 years	Total
total outstanding dues of micro enterprises and small enterprises	4			4
Payable to Exchanges	22			22
Payable to Clients	74,267			74,267
Other trade payables	74			74
Other financial liabilities	390			390
Total	74,757	-	-	74,757

c. Market risk

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

i. Foreign currency risk

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

ii. Interest rate risk

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

The Company's interest rate risk arises from interest bearing deposits with bank and loans given to customers. Such instruments exposes the Company to fair value interest rate risk. Management believe that the interest rate risk attached to this financial assets are not significant due to the nature of this financial assets. All the borrowings of the company are fixed interest rate bearing instrument and hence there is no impact of movement in interest rate.

iii. Market price risks

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

Notes forming part of the Financial Statements for the year ended 31 March 2020

33 Earning per share

A. Basic Earnings per share

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

	Particulars		31 March 2020	31 March 2019
a	Equity shares outstanding at the beginning of the year	Nos.	15,613,825	15,552,675
b	Add: Weighted average number of equity shares issued during the year	Nos.	11,123	5,194
c	Weighted average number of equity shares for basic earnings per share (a + b)	Nos.	15,624,948	15,557,869
d	Net profit after tax available for equity shareholders	Rs. in lacs	38,415	32,982
e	Basic earnings per share of Rs. 10 each (c/d)	Rs.	245.86	212.00

B. Diluted Earnings per share

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

	Particulars		31 March 2020	31 March 2019
a	Weighted average number of equity shares for basic earnings per share	Nos.	15,624,948	15,557,869
b	Add: Impact of Diluted ESOPs	Nos.	-3,095	99,949
c	Weighted average number of equity shares for diluted earnings per share (a + b)	Nos.	15,621,853	15,657,817
d	Net profit after tax available for equity shareholders	Rs. in lacs	38,415	32,982
e	Diluted earnings per share of Rs. 10 each (c/d)	Rs.	245.91	210.64

34 Income Tax

A. Amounts recognised in profit or loss

(Rs in lacs)

Particulars	As at 31 March 2020	As at 31 March 2019
Current Tax		
Current Period	13,730	16,947
Tax Relating to prior period	(85)	(138)
	<u>13,645</u>	<u>16,809</u>
Deferred Tax		
Attributable to -		
Origination and reversal of temporary differences	(1,247)	(259)
Reduction in tax rate	88	(9)
	<u>(1,159)</u>	<u>(268)</u>
Tax expense	<u>12,486</u>	<u>16,541</u>

B. Income tax recognised in other comprehensive income

	As at 31 March 2020		
	Before tax	Tax (expense)	Net of tax
Remeasurements of defined benefit liability (asset)	3	(1)	2
Total	<u>3</u>	<u>(1)</u>	<u>2</u>
	As at 31 March 2019		
	Before tax	Tax (expense)	Net of tax
Remeasurements of defined benefit liability (asset)	114	(39)	75
Total	<u>114</u>	<u>(39)</u>	<u>75</u>

The tax impact for the below purpose has been arrived at by applying the tax rate 25.168% (previous years - 34.944%) being the prevailing tax rates for domestic companies under Income Tax Act, 1961.

Notes forming part of the Financial Statements for the year ended 31 March 2020
C Reconciliation of effective tax rate (Rs in lacs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit before income tax	50,901	49,523
Tax using Company's domestic tax rate	12,811	17,305
Effect of		
Corporate social responsibility	114	109
Long Term Capital Gain	(194)	(507)
Provision for employee benefits	57	(209)
Provision for Tax Earlier Years	(85)	(138)
Others (Net)	(217)	(19)
Total Tax Expense	12,486	16,541

The effective income tax rate for 31 March 2020 is 24.53% (31 March 2019 is 33.40%)

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

Particulars	As at 31 March 2020	As at 31 March 2019
Temporary differences attributable to:		
Deferred tax liabilities		
Property, plant and equipment	25	142
Fair value of investments	102	1,288
Reversal of rent straight lining	-	-
Ind AS 116 Liability (Net)	57	
Expected credit loss	-	-
	184	1,430
Deferred tax assets		
Provision for employee benefits	181	200
Provision for Doubtful debts	69	33
Provision for Rates and Taxes	148	222
Provision for Contingencies	12	32
Expected credit loss	-	11
	410	498
Net deferred tax (asset) / liability recognised on the balance sheet	-226	932

Note

The Company has made a policy choice to recognise the effect of Taxation Laws Amendment Ordinance 2019 (the 'Ordinance') in the quarter ended 30 September 2019. Accordingly, tax expense for the quarter ended and year from 1 April 2019 to 31 March 2020 reflect changes made vide the Ordinance.

35 Proposed Dividend

The Board of Directors, in their meeting held on April 16, 2020 have proposed a final dividend of Rs. NIL per equity share (previous year Rs 55 per equity share). The proposal is subject to the approval of shareholders at the Annual General Meeting.

Notes forming part of the Financial Statements for the year ended 31 March 2020

36 Contingent liabilities and Pending capital commitments

Contingent liabilities

(Rs in lacs)

Particulars	Note	31 March 2020	31 March 2019
Claims against the Company not acknowledged as debt	1	248	237
Service tax and Stamp Duty demands	2	62	63
Bank Guarantee	4	11,000	-
Total		11,310	300

Note 1

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

Note 2

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

Note 3

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

Note 4

Bank Guarantee are been taken from banks and kept with exchanges as a margin to meet the margin obligation.

Pending capital commitments

As at 31 March 2020 the Company has contracts remaining to be executed on capital account and not provided for. The estimated amount of contracts (net of advances) towards property, plant and equipment is Rs 3,087 lacs (previous year - Rs 556 lacs).

37 Foreign Currency Transaction

a) Expenditure in Foreign Currency

(Rs in lacs)

Particulars	31 March 2020	31 March 2019
Million Dollar Round Table (MDRT)	27	-
Straight Through Processing (STP) and Chat Integration	15	13
Total	42	13

b) Earnings in Foreign Currency

(Rs in lacs)

Particulars	31 March 2020	31 March 2019
Commission on sale of Superfund Mutual Fund	11	-
Research Information Services	5	5
Total	16	5

Notes forming part of the Financial Statements for the year ended 31 March 2020
38 Employee benefits
A Defined Contribution Plan

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

A sum of Rs. 656 lacs (Previous Year Rs. 418 lacs) has been charged to the Statement of Profit and Loss towards National Pension fund and provident 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 59 lacs (Previous Year Rs. 96 lacs), which is classified as a part of “Contributions to provident and other funds” [Refer Note No. 30]

B Defined Benefit Plan

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, the employee who has completed five years of service is entitled to specific benefit.

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

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

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

Particulars	31 March 2020	31 March 2019
Balance at the beginning of the year	802	772
Current Service Cost	126	125
Interest Cost	58	57
Actuarial Losses	(23)	(115)
Benefits paid	(34)	(37)
Balance at the end of the year	929	802

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

Particulars	31 March 2020	31 March 2019
Balance at the beginning of the year	795	777
Expected return on Plan Assets	39	56
Contributions	50	-
Benefits paid	(34)	(37)
Actuarial Gain / (Loss)	-	-
Balance at the end of the year	850	796

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

Particulars	31 March 2020	31 March 2019
Present Value of Funded Obligation	929	802
Fair Value of Plan Assets	850	795
Net Liability Recognised in the Balance Sheet	79	6

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

Particulars	31 March 2020	31 March 2019
Current Service Cost	126	125
Past Service Cost	-	-
Loss / (Gain) on settlement	-	-
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	0	(0)
Net gratuity expenses recognized in the Statement of Profit and Loss	126	124

Notes forming part of the Financial Statements for the year ended 31 March 2020

5 Remeasurements recognised in other comprehensive income

Particulars	31 March 2020	31 March 2019
Actuarial (gains) / losses		
- change in demographic assumptions	(2)	13
- change in financial assumptions	(28)	(104)
- experience variance (i.e. Actual experience vs assumptions)	9	(24)
Return on plan assets, excluding amount recognised in net interest expense	18	1
Total	(3)	(114)

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

Particulars	31 March 2020	31 March 2019
Funds managed by Insurer	100	100
Grand Total	100	100

7 Experience Adjustments

(Rs in lacs)

Particulars	31 March 2020	31 March 2019	31 March 2018	31 March 2017
Defined Benefit Obligation	929	802	772	753
Fair value of Plan Assets	850	795	777	465
Surplus / (Deficit)	(79)	(7)	5	(288)

8 Summary of Actuarial Assumptions

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

Particulars	31 March 2020	31 March 2019
Discount Rate	5.95%	7.20%
Salary Escalation Rate	7.33%	9.00%
Mortality	Indian Assured Lives Mortality tables (2006-08)	Indian Assured Lives Mortality tables (2006-08)

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

9 Sensitivity analysis

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

(Rs in lacs)

Particulars	31 March 2020		31 March 2019	
	Decrease	Increase	Decrease	Increase
Discount Rate (1% movement)	1,003	864	868	744
Salary Growth Rate (1% movement)	864	1,002	744	866
Attrition rate (50% movement)	999	888	879	756
Mortality Rate (10% movement)	930	929	802	801

10 Other Details

The Employer's best estimate of the contributions expected to be paid to the plan during the next year - Rs. 201 lacs (previous year - Rs. 119 lacs).

Notes forming part of the Financial Statements for the year ended 31 March 2020

39 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company's lease asset classes primarily consist of leases for premises and leasehold improvements. The Company assesses whether a contract contains a lease, at inception of a contract. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases (underlying asset of less than Rs 1,50,000). For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease. The Company has recognised Rs NIL towards short-term lease and Rs NIL towards low value assets during the year ended March 31, 2020. The Company has recognised Rs 233 lacs towards the leases pertaining to the locations which are not separately identifiable units.

Certain lease arrangements include the option to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any prepaid lease plus any initial direct costs. They are subsequently measured at cost less accumulated depreciation.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the lease term.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the incremental borrowing rate of the Company. Lease liabilities are re-measured with a corresponding adjustment to the related right of use asset if the Company changes its assessment on whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments of Rs 1,349 lacs have been classified as financing cash flows.

Company as a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight- line basis over the lease term. The Company has recognised Rs NIL towards income from sub-lease.

Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and right of use asset equal to lease liability adjusted by the prepaid rent component. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

The weighted average incremental borrowing rate of 6.95% determined by calculating the expense of each quarter on the opening liability for the respective quarter, has been applied to lease liabilities recognised in the balance sheet at the date of initial application. The difference between the future minimum lease rental commitments towards non-cancellable operating leases reported as at March 31, 2019 compared to the lease liability accounted as at April 1, 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

Notes forming part of the Financial Statements for the year ended 31 March 2020

The following is the summary of practical expedients elected on initial application:

1. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
2. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
3. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17. Therefore, contracts that were not identified as lease under Ind AS 17 were not re-assessed.
4. Used a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
5. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The details of Right to use Asset of the Company are as follows:

(Rs in lacs)

Particulars	Carrying Values for the year ended March 31, 2020		
	Leasehold property	Leasehold Improvements	Total
Balance as of April 1, 2019	6,522	-	6,522
Reclassified on account of adoption of Ind AS 116	-	-	-
Add: Additions during the period	350	-	350
Less: Deductions during the period	-	-	-
Less: Depreciation	(1,134)	-	(1,134)
Total	5,738	-	5,738

Following is the movement in lease liabilities for the period:

(Rs in lacs)

Particulars	Carrying Values for the year ended March 31, 2020		
	Leasehold property	Leasehold Improvements	Total
Balance as of April 1, 2019	6,386	-	6,386
Additions during the period	350	-	350
Deductions during the period	-	-	-
Interest Expense	633	-	633
Less: Lease Payments	(1,349)	-	(1,349)
Total	6,021	-	6,021

Following is maturity analysis of contractual undiscounted cash flows

(Rs in lacs)

Particulars	Amount
Less than 1 year	1,268
One to five years	4,674
More than five years	2,478
Total	8,420

40 Corporate Social Responsibility (CSR)

(Rs in lacs)

Particulars	31 March 2020	31 March 2019
Amount required to be spent by the Company u/s 135 of the Companies Act, 2013 for CSR	900	704
Amount advanced towards CSR for the year	900	704
Amount advanced for previous year	-	-
Dividend on HDFC Charity Fund on CSR investments	3	6
Total amount advanced	903	710
Amount advanced, pending utilization	(64)	(64)

Notes forming part of the Financial Statements for the year ended 31 March 2020

41 Segment Reporting

The Company's business is to provide brokerage services to its clients in the capital markets within India. All other activities of the Company revolve around the main business. As such, there are no separate reportable segments as per the Ind AS on Operating Segment (Ind AS 108), specified under the Companies Act, 2013. The necessary information to report the revenues from the external customers for each product and service, or each group of similar products and service is not available and the cost to develop it would be excessive. Similarly, the geographical information related to the revenue from the external customers attributed to the entity's country of domicile and to all other foreign countries in total is not available and the cost to develop it would be excessive. No single customer accounts for the revenue, which is equal or more than ten percent of the total revenue of the entity, hence no such segment could be identified.

42 Related Party Disclosures

A.	Parent Company	HDFC Bank Limited	
	Investor exerting significant influence	HDFC Limited	
B.	List of Key Management Personnel :		
	Key Management Personnel (KMP)	Mr Bharat Shah	Non-executive Chairman
		Mr Dhiraj Relli	Managing Director
		Mr. Ashish Rathi	Whole-Time Director
		Mr. Abhay Aima	Non-executive Director
		Dr. (Mrs) Amla Samanta	Non-executive Independent Director
		Mr. Jagdish Capoor	Non-executive Director
		Mr. Samir Bhatia	Non-executive Independent Director (w.e.f. July 05, 2019)
		Mr. Malay Patel	Non-executive Independent Director (w.e.f. January 29, 2020)
		Mr. S.S. Thakur	Non-executive Independent Director (till April 24, 2019)
		Mr. Bhavesh Zaveri	Additional Director (till April 24, 2019)
C.	Post Employment Benefits Plan	Employees Group Gratuity cum Life Assurance Scheme	
D.	List of other related parties		
	HDFC Asset Management Company Ltd	Subsidiary Company of Investor exerting significant influence	
	HDFC Credila Financial Services Pvt. Ltd.	Subsidiary Company of Investor exerting significant influence	
	HDFC Ergo General Insurance Co. Ltd.	Subsidiary Company of Investor exerting significant influence	
	HDFC Life Insurance Company Limited	Subsidiary Company of Investor exerting significant influence	

Notes forming part of the Financial Statements for the year ended 31 March 2020

List of KMP & Directors of Parent Company	Shyamala Gopinath	Chairperson
	Aditya Puri	Managing Director
	Kaizad Bharucha	Executive Director
	Keki Mistry	Non-Executive Director (till January 18, 2020)
	Malay Patel	Independent Director
	Umesh Chandra Sarangi	Independent Director
	Srikanth Nadhamuni	Non-Executive Director
	Sanjiv Sachar	Additional Independent Director
	Sandeep Parekh	Additional Independent Director
	M. D. Ranganath	Additional Independent Director
	Santosh Haldankar	Company Secretary
	Sashidhar Jagdishan	Additional Executive Director (w.e.f. November 28, 2019)
	Bhavesh Zaveri	Additional Executive Director (w.e.f. November 28, 2019)
	Renu Sud Karnad	Additional Non-Executive Director (w.e.f. March 03, 2020)
	Paresh D Sukthankar	Deputy Managing Director (till November 8, 2018)
Anami Narayan Roy	Additional Independent Director (till January 31, 2018)	
Sanjay Bindumadhav Dongre	Key Managerial Person (till May 31, 2018)	
Relatives of Key Managerial Personnel or Directors	Anita B. Shah	Spouse of Bharat Shah
	Archana Relli	Spouse of Dhiraj Relli
	Kritya Relli	Daughter of Dhiraj Relli
	Vimal Relli	Brother of Dhiraj Relli
	Lalita Rathi	Mother of Ashish Rathi
	Poonam Rathi	Spouse of Ashish Rathi
	Hitesh Zaveri	Brother of Bhavesh Zaveri
	Jagdishan Chandrasekharan	Father of Sashidhar Jagdishan
	Ashim Samanta	Spouse of Amla Samanta
	Neela Bhatia	Spouse of Samir Bhatia
	Charushila Vijay Bhatia	Mother of Samir Bhatia
	Neelima Jayant Patwardhan	Sister of Sanjay Dhongre
	Dattatraya Mahadeo Sukthankar	Father of Paresh Sukhtankar
	Sangeeta P Sukthankar	Spouse of Paresh Sukhthankar
	Sanjana Santosh Haldankar	Spouse of Santosh Haldankar
Sushama Sanjay Dongre	Spouse of Sanjay Dongre	
Ashok Sud	Brother of Renu Sud Karnad	
Entities in which Key Managerial Personnel are interested	Raab Investments Pvt. Ltd.	Abhay Aima is a director and Member
	Equitymaster Agora Research Private Ltd	S S Thakur is a director
E. Fellow subsidiary	HDB Financials	

Notes forming part of the Financial Statements for the year ended 31 March 2020
F. Transactions with related parties (Rs in lacs)

I. Parent Company	HDFC Bank	
	31 March 2020	31 March 2019
<u>Transactions during the year :</u>		
Placement of fixed deposits	24,575	-
Redemption of fixed deposits	24,575	1,599
Franking Advance given	-	14
Rendering of services (including recoveries of expenses)	936	511
Receiving of services (including payment of expenses)	3,089	2,714
Interest received	70	9
Interest paid*	63	0
Dividend Paid	28,861	15,190
<u>Balances Outstanding :</u>		
Receivables	622	171
Bank balances	93,211	19,421
Fixed deposits	20	20
Accrued interest on fixed deposit - receivable*	0	0
Accrued expenses	546	551
Advances	55	55
Deposit received	76	76
Deposit payable	25	-

(Rs in lacs)

II. Investor exerting significant influence	HDFC Limited	
	31 March 2020	31 March 2019
<u>Transactions during the year :</u>		
Rendering of services (Including recoveries of expenses)	173	115
Interest Received	88	-
Placement of Fixed Deposits	7,500	-
Redemption of Fixed Deposits	7,500	-
<u>Balances Outstanding :</u>		
Receivables*	2	0

* Less than Rs. 50,000 /-

(Rs in lacs)

III. Fellow subsidiary	HDB Financials	
	31 March 2020	31 March 2019
<u>Transactions during the year :</u>		
Rendering of services (Including recoveries of expenses)	-	9
Receiving of services (Including payment of expenses)	11	11
<u>Balances Outstanding :</u>		
Receivables	1	5
Accrued expenses	4	2

Notes forming part of the Financial Statements for the year ended 31 March 2020

(Rs in lacs)

IV. Other Related Parties	31 March 2020	31 March 2019
<u>HDFC Asset Management Company Ltd</u>		
Transactions during the year :		
Rendering of services (Including recoveries of expenses)	176	111
Balances Outstanding :		
Receivables	-	3
<u>HDFC Credila Financial Services Pvt. Ltd.</u>		
Transactions during the year :		
Rendering of services (Including recoveries of expenses)	-	1
Balances Outstanding :		
Receivables	2	2
<u>HDFC Ergo General Insurance Co. Ltd.</u>		
Transactions during the year :		
Rendering of services (Including recoveries of expenses)	20	19
Receiving of services (Including payment of expenses)	28	52
Balances Outstanding :		
Receivables*	0	-
Payables	26	10
Accrued Expenses	1	-
<u>HDFC Life Insurance Company Limited</u>		
Transactions during the year :		
Rendering of services (Including recoveries of expenses)	3,901	2,757
Receiving of services (Including payment of expenses)	221	166
Balances Outstanding :		
Receivables	346	519
Payables*	0	0
Accrued Expenses	74	162

* Less than Rs. 50,000 /-

(Rs in lacs)

<u>KMP, Directors, Their Relatives and Entities in which KMP are interested</u>	31 March 2020	31 March 2019
<u>Nature of Transaction</u>		
Rendering of services (including recoveries of expenses)	73	40
Receiving of services (including payment of expenses)	27	26
Sitting Fees Paid	27	32
Managerial Remuneration & Perquisites Paid	2,324	1,843
Dividend Paid	33	2
ESOP - Number of options outstanding	2,850	34,700

Note:

1. The future liability for gratuity and compensated absences is provided on an actuarial basis for the Company as a whole, accordingly the amount pertaining to KMP's is not ascertainable separately, and not included above.
2. Managerial remuneration includes ESOP exercise during the year, bonus on accrual basis.
3. The relatives having transactions during the year (and previous year) have been shown in the list above

Notes forming part of the Financial Statements for the year ended 31 March 2020
43 Share-based payment arrangements:
A. Description of share-based payment arrangements
i. Share option plans (Equity Settled)

On February 13, 2017 and on June 21, 2019 the Company has granted share options, that entitles the employees and the key management personnel (KMP) to purchase the shares in the Company. Holders of the vested stock options are entitled to purchase shares at the exercise price of the shares. The key terms and conditions related to the grants under the plan are as follows; and all options are to be settled by the delivery of shares.

Grant date / employees entitled	Number of instruments	Vesting conditions	Method of settlement	Contractual life of options
Options granted to employees and KMP on 13-02-2017	280,000	The options granted to the KMPs and employees shall vest in three years from the date of Grant.	Equity settled	Four years
Options granted to employees and KMP on 21-06-2019	94,500	The options granted to the KMPs and employees shall vest in three years from the date of Grant.	Equity settled	Four years
Total share options granted till date	374,500			

B. Measurement of fair values
Equity-settled share-based payment arrangements

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

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

	As at 31 March 2020	As at 31 March 2019
	Share option plan for KMPs and employees	Share option plan for KMPs and employees
Fair value of options as on grant date (Rs)	1715	371
Share price as on grant date (Rs)	4844	1136
Exercise price (Rs)	4844	1136
Expected volatility	43.22% to 42.22%	43.53% to 42.48%
Expected life (expected weighted average life)	3 to 4 years	3 to 4 years
Expected dividends	2.27%	3.52%
Risk- free interest rate (based on government bonds)	6.36% to 6.63%	6.6% to 6.9%
Method used to determine expected volatility	The expected volatility is based on price volatility of listed companies in same or similar industry.	The expected volatility is based on price volatility of listed companies in same or similar industry.

Notes forming part of the Financial Statements for the year ended 31 March 2020

C. Reconciliation of outstanding share options

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

	Number of options 31 March 2020	Exercise price 31 March 2020	Number of options 31 March 2019	Exercise price 31 March 2019
(A) Equity-settled Share-based payments:				
Options outstanding as at the beginning of the year	133,650	Rs. 1136	201,450	Rs. 1136
Add: Options granted during the year	94,500	Rs. 4844	-	Rs. 1136
Less: Options lapsed/ forfeited during the year	2,000	Rs. 4844	6,650	Rs. 1136
Less: Options exercised during the year	116,150	Rs. 1136	61,150	Rs. 1136
Options outstanding as at the year end	110,000	Rs. 4854	133,650	Rs. 1136
Options exercisable as at the year end	17,500	Rs. 1136	29,050	Rs. 1136

D. Expense recognised in the statement of profit and loss

Refer note 30 on employee benefit expense, for information on expense charged to the Statement of profit and loss on account of share based payments.

44 Revenue from contract with customers

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

Disaggregate revenue information

- The table below presents disaggregate revenues from contracts with customers for the year ended 31 March 2020 by type of revenue segregated into its operating segments. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by market and other economic factors.

Nature of Services

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

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

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

2 Disaggregate revenue information: (Rs in lacs)

Particulars	31 March 2020	31 March 2019
Broking	56,537	52,598
Distribution	12,242	12,618
Interest on Loan	9,821	2,816
Interest income	761	1,655
Total	79,361	69,687

Notes forming part of the Financial Statements for the year ended 31 March 2020

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

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

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

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

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

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

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

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

45 Movement of provisions for the year ended 31st March 2020 comprises of: (Rs in lacs)

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

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

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

Note:

* outstanding service tax demand for July 2012 - March 2017 raised by the department, the appeal is still pending with CESTAT for disbursal.

**The client lost the case before the Arbitration Panel - level 1 and also the appeal before the Arbitration Appellate Bench. Client later has filed a criminal application before the Judicial Magistrate, Andheri Court alleging criminal liability against the various officials of the Company and the Company as well.

46 Auditors Remuneration (Rs in lacs)

Particulars	31 March 2020	31 March 2019
Auditor	33	29
For other services	-	-
For reimbursement of expenses	1	1
Total	34	30

47 Capital management

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

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

48 COVID-19

During the year ended 31 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus followed by another extension of the lockdown by 19 days.

Stock broking and depository services have been declared as essential services and accordingly, the Company has faced no business stoppage/interruption on account of the lockdown. In light of the steep decline in the indices, the Company, in the normal course of business, placed additional margin money with the stock exchanges.

As of 31 March 2020, based on facts and circumstances existing as of that date, the Company does not anticipate any material uncertainties which affects its liquidity position and also ability to continue as a going concern.

49 Events after reporting date

Other than the events relating to COVID-19, which has been covered in Note 48, there are no material events after the reporting date that require disclosure in these financial statements.

As per our report of even date.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022

AJIT VISWANATH

Partner

Membership No. 067114

Place : Mumbai

Date : 16 April, 2020

For and on behalf of the Board of Directors of
HDFC Securities Limited

CIN Number: U67120MH2000PLC152193

DHIRAJ RELLI

Managing Director

DIN: 07151265

ASHISH RATHI

Whole Time Director

DIN: 07731968

C. V. GANESH

Chief Financial Officer

N.E. VENKITAKRISHNAN

Company Secretary

Key Milestones

2000-2005

- HDFC Securities was incorporated in April 2000 as a joint venture of HDFC Bank Ltd, HDFC Ltd & Indocean Securities Holdings Ltd
- Launched stock trading on NSE & BSE
- Started with equity trading and later rolled out derivatives trading

2006-2010

- Online platform to invest in IPOs/FDs
- SIP in stocks & ETFs
- Launch of BLINK, a hi-speed trading engine
- Revamped hdfcsec.com with various features including search engine, portfolio tracker and robust Radar Signal Trading System

2011-2015

- Mobile trading app launched for Android phones, iPhone & Blackberry
- Launched a platform for Exchange Traded mutual funds
- Next generation trading app for IOS & Android

2016-2020

- New integrated Portfolio to track all asset classes
- DIGIFY – An ‘open’ mutual fund platform (for Customers and Non Customers of HDFC Securities)
- New call centre in Thane (350 agents)
- ProTerminal - an advanced trading and analysis platform
- Digital Account Opening - a completely digital process to signup with HDFC Securities
- Depository services launched
- Global Investing - access to US equity markets for Indian retail investors

OUR PRODUCTS

EQUITY BROKING

Cash (delivery & Intraday) | Margin Trading | StockSIPs | Global (US) Investing | Basket investing (smallcase) | SLBM

DERIVATIVES

Equity | Currency | Commodity

MUTUAL FUNDS

Lump sum | SIPs | ELSS | ETFs

INSURANCE

Life Insurance | General (incl. Health) Insurance

FIXED INCOME

Deposits | Debentures | Bonds | Sovereign Bonds | Sec 54EC Bonds

RETIREMENT PLANNING

NPS | E-will

LOANS

Housing | Vehicle | Personal | Education | Loan Against Shares (LAS)

INVESTMENT ADVISORY

www.hdfcsec.com
