

{ Strengthened by  
Substance within }



## The outer world is a reflection of the core substance

Yoga, a science for some, a way of life for others. Over the centuries, it has evolved as a discipline that harnesses the power of inner strengths and elevates performance.

At HDFC, we harmonise our strengths of experience, consumer orientation and understanding of the market, amassed over the years, with indispensable ideals of integrity, resilience and adaptability. Our core values form the basis of our vision, guiding our people in their pursuit for collective excellence.

Respecting the challenges hurled by the environs we remain firm with the intrinsic belief that our principles will keep us on course even in turbulent times. To us, the journey brings more happiness than the destination and we endeavour to maintain our verdure in order to tread the tough yet straight path of ethical work culture.

Our inner substance keeps us spirited and strengthened, and we welcome each day as a dawn of limitless opportunities.

*Surya Namaskar (Salutation to the Sun):  
A great way to start your day as the  
energy of early morning sun warms you  
up for the opportunities ahead.*



## Contents

8	Board of Directors
9	Brief Profile of the Directors of the Corporation
12	Chairman's Statement
17	Directors' Report
29	Report of the Directors on Corporate Governance
40	Compliance Certificate on Corporate Governance
41	Review of the Chairman of the Audit Committee of Directors
42	Review of the Chairman of the Investor Relations & Grievance Committee of Directors
42	Review of the Chairman of the Nomination & Compensation Committee of Directors
43	Management Discussion and Analysis Report
52	Standalone Financial Statements with Auditors' Report
109	Consolidated Financial Statements with Auditors' Report
164	Social Initiatives
170	Shareholders' Information

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### ANNUAL GENERAL MEETING (AGM)

Day / Date : Monday, July 21, 2014

Time : 3.00 p.m.

Venue : Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.

# Financial Highlights

(₹ in Crore)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Income	3,410.44	4,278.39	5,896.26	8,196.05	11,017.66	11,360.83	12,878.07	17,354.28	21,147.62	24,197.67
Profit After Tax	1,036.59	1,257.30	1,570.38	2,436.25	2,282.54	2,826.49	3,534.96	4,122.62	4,848.34	5,440.24
Shareholders' Funds	3,883.10	4,468.33	5,551.40	11,947.34	13,137.39	15,197.66	17,316.51	19,017.58	24,830.21	27,955.19
Share Capital-Equity	249.12	249.56	253.01	284.03	284.45	287.11	293.37	295.39	309.27	312.10
Reserves and Surplus	3,633.98	4,218.77	5,298.39	11,663.31	12,852.94	14,910.55	17,023.14	18,722.19	24,520.94	27,643.09
Term Borrowings	28,807.31	37,979.93	46,808.61	57,854.97	64,481.41	73,484.17	90,785.38	1,02,834.70	1,06,895.00	1,27,720.00
Deposits	7,840.09	8,741.42	10,384.42	11,296.25	19,374.67	23,081.14	24,326.92	36,292.80	51,933.00	56,578.00
Loans Outstanding	36,011.50	44,990.12	56,512.36	73,327.78	85,198.11	97,966.99	1,17,126.62	1,40,874.58	1,70,046.17	1,97,100.00
Dividend (%)	170	200	220	250	300	360	450	550	625	700
Book Value per Share (₹) <sup>^</sup>	31	36	44	84	92	106	118	129	162	179
Earnings per Share (₹) <sup>^</sup>	8	10	13	13 <sup>†</sup>	16	20	24	28	32	35

<sup>^</sup> The face value of equity shares of the Corporation was sub-divided to ₹ 2 per equity share from ₹ 10 per equity share in FY 2011. Previous year figures have been adjusted to reflect the revised value.

<sup>†</sup> Excluding exceptional income.

## Experienced shoulders justify the trust reposed

The valuable insights, understanding and sagaciousness gathered over a journey of 37 years lend us a balanced foresight of the market and continues to strengthen our position as a preferred choice of the consumer.

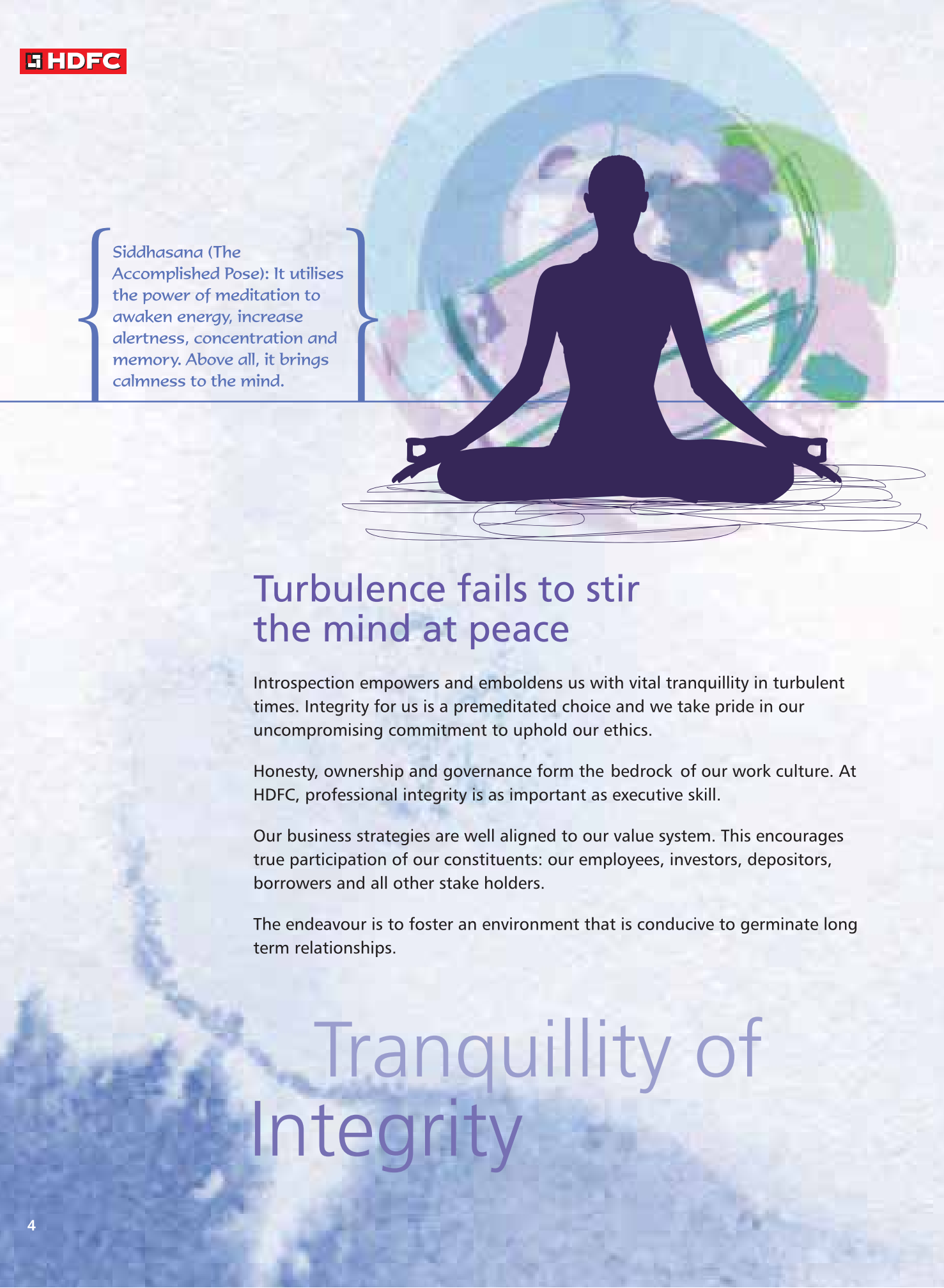
HDFC continues to expand its horizons drawing on the synergies of managerial competence and technological skill.

Our stake holders repose their trust on our shoulders and it is our responsibility to add value, by deploying our comprehensive expertise in the sector.

## Strength of Experience



Adho Mukha Vrksasana (The Hand Stand Pose): This yoga asana aims at balancing your body on your hands thus making them strong.



Siddhasana (The Accomplished Pose): It utilises the power of meditation to awaken energy, increase alertness, concentration and memory. Above all, it brings calmness to the mind.

## Turbulence fails to stir the mind at peace

Introspection empowers and emboldens us with vital tranquillity in turbulent times. Integrity for us is a premeditated choice and we take pride in our uncompromising commitment to uphold our ethics.

Honesty, ownership and governance form the bedrock of our work culture. At HDFC, professional integrity is as important as executive skill.

Our business strategies are well aligned to our value system. This encourages true participation of our constituents: our employees, investors, depositors, borrowers and all other stake holders.

The endeavour is to foster an environment that is conducive to germinate long term relationships.

# Tranquillity of Integrity



## 'Many' become 'One' when the goals are unified

A chain is only as strong as its weakest link. Hence, we at HDFC focus on ensuring that every individual in our team is strengthened and prepared to strive for excellence.

Our team members are united by bonds of organisational purpose. With clearly delineated goals they stride ahead to achieve the ultimate objectives of HDFC. The company would not have been what it is today without their relentless dedication. In the words of Vince Lombardi, "Individual commitment to a group effort is what makes a team work, a company work, a society work, a civilisation work."


The combined impact of their knowledge, determination and innovation accentuates our identity as a reliable player in the business.

Training, skill development, knowledge mining and sharing amongst peer groups form an integral part of our resource development initiatives that keep the spirit of our team alive and motivated.

## Harmony of Teamwork



Virabhadrasana (The Warrior Pose): This asana commemorates the exploits of a mythical warrior. It strengthens and stabilizes the muscles of the feet, knees, shoulders, arms and the back.



Rajakapotasana (The King Pigeon pose): This asana helps to increase the flexibility of the body by opening up the chest and strengthening the back.

## Adaptation opens avenues to evolve with times

While we are resilient in our values, we are innovative in our approach. The firm rooting in our values provides us with flexibility that empowers us to adapt and innovate.

Our team is attuned to the ever so ephemeral needs of the customer. The yearning to assuage these needs result in redesigning and improving products and services as necessary.

We shall continue to evolve and adapt without compromising on our guiding principles.

# Flexibility to Adapt



## An organisation succeeds, when its customers are satisfied

HDFC's existence, growth and leadership is an ode to the millions of customers that have found us worthy of being partners in the fulfilment of their dreams.

We have built a legacy of customer orientation. Our clients look forward to our value based services as we commit ourselves to be a responsible financial institution.

In the inconclusive argument on whether the customer builds the market or the market builds the customer, we believe that every customer is a market in his / her own right. This inspires us to focus on customers and customers alone.

Our objective is to be the preferred Home Loan provider for all customer segments. To us, continued customer patronage is priceless and all our endeavours are dedicated to attain the highest level of customer satisfaction.

## Focus on Customer Orientation



Anjali / Namaste Mudra (The Offering / Welcome Pose): This posture of 'welcome' translates as "I bow to the divinity within you from the divinity within me". It expresses one's willingness to be of service to others.

# Board of Directors

Mr. Deepak S. Parekh  
Chairman

Mr. Keshub Mahindra  
Vice Chairman  
*(Resigned w.e.f. October 22, 2013)*

Mr. Shirish B. Patel  
*(Resigned w.e.f. October 22, 2013)*

Mr. B. S. Mehta

Mr. D. M. Sukthankar

Mr. D. N. Ghosh

Dr. S. A. Dave

Dr. Ram S. Tarneja

Mr. Nasser Munjee

Dr. Bimal Jalan

Dr. J. J. Irani

Mr. V. Srinivasa Rangan  
Executive Director

Ms. Renu Sud Karnad  
Managing Director

Mr. Keki M. Mistry  
Vice Chairman & Chief Executive Officer

## Brief Profile of the Directors of the Corporation

**Mr. Deepak S. Parekh** is the Chairman of the Corporation. He is a Fellow of The Institute of Chartered Accountants in England & Wales. Mr. Parekh joined the Corporation in a senior management position in 1978. He was inducted as a Whole-time director of the Corporation in 1985, appointed as the Managing Director of the Corporation (designated as 'Chairman') in 1993 and continued to be appointed as such from time to time. He retired as the Managing Director (designated as 'Chairman'), with effect from the close of business hours on December 31, 2009. Mr. Parekh was appointed as a director of the Corporation liable to retire by rotation by the shareholders of the Corporation at the 33rd Annual General Meeting held on Wednesday, July 14, 2010. He is a director on the boards of several prominent companies in India.

**Mr. B. S. Mehta** is a graduate in commerce and a Fellow of The Institute of Chartered Accountants of India. Mr. Mehta is a Chartered Accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions. He is a director on the boards of several prominent companies in India. He has been a director of the Corporation since 1988. He is the Chairman of the Nomination & Remuneration Committee of Directors and a member of Audit Committee of Directors.

**Mr. D. M. Sukthankar** was an officer of the Indian Administrative Service and was Secretary, Ministry of Urban Development, Government of India and later Chief Secretary to the Government of Maharashtra. Mr. Sukthankar is recognised as an expert on issues related to urban development and management and has been associated with the housing sector for a number of years. He has been a director of the Corporation since 1989.

**Mr. D. N. Ghosh** holds a Master's degree in economics. He was the former Chairman of the

State Bank of India. Mr. Ghosh is currently the Chairman of ICRA Management Consulting Services Limited and Sundaram Asset Management Company Limited. He has been a director of the Corporation since 1989. He is also a member of the Audit Committee of Directors.

**Dr. S. A. Dave** is a Doctorate in economics and holds a Master's degree in economics from the University of Rochester. Dr. Dave was the former Chairman of the Securities and Exchange Board of India and the Unit Trust of India. He is a director on the boards of several prominent companies in India. He has been a director of the Corporation since 1990. He is also the Chairman of the Audit Committee of Directors and a member of the Stakeholders Relationship Committee of Directors. Dr. Dave is the nominee of the Corporation on the board of HDFC Standard Life Insurance Company Limited.

**Dr. Ram S. Tarneja** holds a Doctorate in human resources from Cornell University. He also has a MA both from the University of Delhi and University of Virginia and a BA Honours from University of Delhi. He was the former Managing Director of Bennett, Coleman & Company Limited. He is a director on the boards of several prominent companies in India. He has been a director of the Corporation since 1994. He is also the Chairman of the Stakeholders Relationship Committee of Directors.

**Mr. Nasser Munjee** holds a Master's degree in economics from the London School of Economics, U.K. He is a director on the boards of several prominent companies in India. He was earlier the Executive Director of the Corporation and had been working with the Corporation from 1978 to 1998. He is also a member of the Nomination & Remuneration Committee of Directors. He is deeply interested in development and infrastructure issues.

## Brief Profile of the Directors of the Corporation

**Dr. Bimal Jalan** is a former Governor of the Reserve Bank. He has previously held several positions in the Government including those of Finance Secretary and Chairman of the Economic Advisory Council to Prime Minister. He was also a nominated Member of Parliament from 2003 to 2009. He was associated with a number of public institutions and was a Chairman of Centre for Development Studies, Thiruvananthapuram. He has been a director of the Corporation since 2008.

**Dr. J. J. Irani** holds a Doctorate from University of Sheffield, U.K. He also holds a Master's degree in science from Nagpur University and M. Met from University of Sheffield, U.K. The President of India conferred on him the award of Padma Bhushan in 2007 for his services to trade and industry in India. Queen Elizabeth II conferred on him honorary Knighthood (KBE) for his contribution to Indo-British Trade and Co-operation. He is a director on the boards of several prominent companies in India. He has been a director of the Corporation since 2008. He is also a member of the Nomination & Remuneration Committee of Directors.

**Mr. V. Srinivasa Rangan** is the Executive Director of the Corporation. He holds a Bachelor's degree in commerce and is an Associate of The Institute of Chartered Accountants of India and that of The Institute of Cost Accountants of India. Mr. Rangan joined the Corporation in 1986 and has served in Delhi Region and was the Senior General Manager – Corporate Planning & Finance function at head office since 2000. He was appointed as the Executive Director of the Corporation for a period of 5 years, with effect from January 1, 2010. He is responsible for the Treasury, Resources and Accounts functions of the Corporation. He is also a member of the Stakeholders Relationship

Committee of Directors. The Board of Directors at the meeting held on May 6, 2014, re-appointed him as the Executive Director of the Corporation for a period of 5 years, with effect from January 1, 2015, subject to the approval of the shareholders at the ensuing Annual General Meeting.

**Ms. Renu Sud Karnad** is the Managing Director of the Corporation. She holds a Master's degree in economics from the University of Delhi and is a graduate in law from the University of Mumbai. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A. Ms. Karnad joined the Corporation in 1978 and was appointed as the Executive Director of the Corporation in 2000 and was re-designated as the Joint Managing Director of the Corporation in October 2007. She was appointed as the Managing Director of the Corporation for a period of 5 years, with effect from January 1, 2010. The Board of Directors at its meeting held on May 6, 2014 has re-appointed her as the Managing Director of the Corporation for a period of 5 years, with effect from January 1, 2015, subject to the approval of the shareholders at the ensuing Annual General Meeting.

**Mr. Keki M. Mistry** is the Vice Chairman & Chief Executive Officer of the Corporation. He is a Fellow of The Institute of Chartered Accountants of India. Mr. Mistry joined the Corporation in 1981. He was appointed as the Executive Director of the Corporation in 1993, as the Deputy Managing Director in 1999 and as the Managing Director in 2000. He was re-designated as the Vice Chairman & Managing Director of the Corporation in October 2007 and as the Vice Chairman & CEO, with effect from January 1, 2010. He was re-appointed as the Vice Chairman & CEO for a period of 5 years, with effect from November 14, 2010.



## Senior Executives

### MEMBERS OF EXECUTIVE MANAGEMENT

Mr. Conrad D'Souza  
Ms. Madhumita Ganguli  
Mr. Mathew Joseph  
Mr. Suresh Menon  
Mr. M Ramabhadran

Mr. Gautam Bhagat  
CEO - HDFC Sales Pvt. Ltd.

### SENIOR GENERAL MANAGERS

Mr. R Arivazhagan  
Mr. Irfan A Koreishi  
Mr. K Suresh Kumar  
Mr. S N Nagendra  
Mr. Rajeev Sardana

### ADDITIONAL SENIOR GENERAL MANAGERS

Mr. Praveen Kumar Bhalla  
Mr. N B Dwivedi  
Mr. Dipta Bhanu Gupta  
Mr. Prosenjit Gupta  
Mr. C V Ignatius  
Mr. Sudhir Kumar Jha  
Ms. Sonal Modi  
Mr. Subodh Salunke  
Mr. R Sankaranarayan  
Mr. Dilip Shetty  
Mr. S K Vasant

### GENERAL MANAGERS

Ms. Mala I Bhojwani  
Mr. Thomas Cherian  
Mr. S V Shaligram  
Mr. H S Shamasundara

### COMPANY SECRETARY

Mr. Girish V Koliyote

### DEBENTURE TRUSTEES

IDBI Trusteeship Services Ltd.  
Asian Building, Ground Floor,  
17, R. Kamani Marg,  
Ballard Estate,  
Mumbai 400 001.

Central Bank of India  
Debenture Trustee Section  
Merchant Banking Division  
4th Floor, MMO Building,  
55, Mahatma Gandhi Road,  
Fort, Mumbai 400 001.

### PRINCIPAL BANKERS

HDFC Bank Ltd.  
Axis Bank Ltd.  
Punjab National Bank  
Canara Bank  
Corporation Bank  
Bank of India

### AUDITORS

Deloitte Haskins & Sells LLP  
Chartered Accountants

### BRANCH AUDITORS - DUBAI

PKF  
Chartered Accountants

### SOLICITORS AND ADVOCATES

Wadia Ghandy & Company, Mumbai  
AZB & Partners, Mumbai  
Amarchand & Mangaldas &  
Suresh A. Shroff & Company, Mumbai

### INVESTOR SERVICES DEPARTMENT

Tel Rasayan Bhavan, Ground Floor,  
Opp. BEST Workshop Gate No. 4,  
Tilak Road Extn., Dadar T.T.,  
Mumbai 400 014.  
Tel. Nos. : +91 22-6141 3900,  
2414 6267/68  
Fax Nos. : +91 22-2414 7301  
E-mail : investorcare@hdfc.com

### REGISTERED OFFICE

Ramon House, H. T. Parekh Marg,  
169, Backbay Reclamation,  
Churchgate, Mumbai 400 020.  
Tel. Nos. : +91 22-6176 6000  
Fax Nos. : +91 22-2281 1205  
CIN: L70100MH1977PLC019916  
Website : www.hdfc.com

### CORPORATE OFFICE

HUL House, H.T. Parekh Marg,  
165-166, Backbay Reclamation,  
Churchgate, Mumbai - 400 020.  
Tel. Nos. : +91 22-6631 6000,  
2282 0282  
Fax Nos. : +91 22-2204 6834,  
2204 6758

## Chairman's Statement

The state of our cities will determine India's future. While the vision of creating 100 new cities with smart connectivity is laudable, we also have to remember that focus is equally needed on making our existing cities more livable. Urbanisation is a double-edged sword – it can help raise the standard of living of millions, yet inaction could plunge cities into further chaos and mayhem.

In FY 2013, I had said that the next year would be better for India. Technically, the prediction was correct. India's GDP growth improved marginally in FY 2014 to 4.7% compared to 4.5% in the previous year. However, the toll that two consecutive years of sub-optimal growth took on the Indian economy was unprecedented.

For Corporate India, FY 2014 was perhaps one of the most difficult years in recent times. Navigating large organisations in an uncertain business environment is like being blindfolded at the precipice. Crisis situations often test leadership skills, it drives strong management teams to give their best and it reinforces the importance of fortifying balance sheets in good times so as to withstand the unforeseen. Yet, there is no denying that even the strongest of companies have been impacted by the overall slowdown in India.

I believe the worst is behind us. We don't need to look back anymore. The decisive mandate given by the people of this country to the new government is reflective of the change India wants. Behind the newfound elation and euphoria lies the real challenge – that of delivery.

The new government has to simultaneously work several levers – increase growth, reduce the fiscal deficit, contain inflation, create a conducive investment climate for both, domestic and foreign investors and work towards improving hard and soft infrastructure. It has to fulfil the aspirations of its people – particularly the young, who seek better jobs and a higher standard of living. Foremost among the aspirations of our people is that of being a homeowner.



In India, unfortunately housing has still not been accorded the importance it deserves. Now is an opportunity to change this. The housing shortage in the country is immense and the only way homes can become more affordable for the masses is by ramping up supply. Housing has multiplier effects on the economy – it is a large employment generator and has strong backward and forward linkages with a number of other industries. At a time when India urgently needs to shore up growth, a focused approach towards housing may well lead the way. To find the right solutions, there are a few fundamental questions that need to be answered:

**Why** is the common man being out-priced from the housing market?

**Why** do developers prefer to build luxury homes over affordable housing units?

**Why** does India rank 182 out of 189 countries in terms of the ease of obtaining construction permits?

**Why** can't banks and housing finance companies be permitted to fund land transactions?

**Why** does a developer need approvals from 40 to 50 regulatory or quasi-regulatory bodies for a residential building?

**Why** is it that developers can never ever deliver homes on time?

**Why** can't state governments and authorities be made more accountable?

Is anyone listening?

Do the authorities understand the

**Plight, Pain, Trouble and Tension**

that a home buyer has to go through?

#### **Few right decisions can reduce the cost of housing**

Jiddu Krishnamurti, a philosophical writer aptly said: *"If we can really understand the problem, the answer will come out of it, because the answer is not separate from the problem."*

To my mind, the solution to these issues lies in putting in place an online, single-window clearance mechanism for affordable housing projects.

Developers are often criticised for not relenting on the exorbitant pricing of residential homes. Part of the problem lies in how developers fund the purchase of land. Regulators prohibit banks and housing finance companies (HFCs) from extending finance to private developers to acquire land. Developers have to then resort to high cost funds from non-banking financial institutions, private equity and even from the informal sector, often paying interest rates ranging from 18 to 22% per annum. Even if a developer wishes to start construction immediately, approvals – particularly in certain large cities, take as long as 18 to 24 months. Meanwhile, the developer needs to service the loan taken for acquiring the land, without receiving corresponding cash flows. Further, because of the multiplicity of approvals, speed money is demanded, often at every stage of approval. The end result is that all these time and cost overruns are eventually borne by the home buyer.

Understandably, if regulators feel there is excessive speculation in real estate, it is prudent to prohibit banks and HFCs from lending for land transactions. However, when there is no real estate bubble, as is currently the case, then banks and HFCs should be allowed to fund land transactions. This is because in property transactions, land costs comprise almost 70 to 80% of the total cost.

Though land is a state subject, a directive from the centre to ensure that all states move towards e-governance, will go a long way. These are only administrative related issues. There is no need for legislative changes, so implementation is easily doable. A few states have already demonstrated that red tape can be cut as far as granting of building approvals are concerned. My back-of-the-envelope estimation is that transparency and timely approvals can reduce costs for the end consumer by almost 20%. So I ask again, why can't housing be made more affordable?

On the other hand, developers must provide more affordable housing in the price range of ₹ 15 to 40 lac. They need to focus not on the high-end luxury segment, but on building more one and two-bedroom apartments, which is where the real need is. Even though margins may be lower, the turnaround time is much faster in the affordable housing segment. Affordable housing is a volume game, which is why the speed of obtaining approvals becomes more compelling.

Admittedly, the central government's most effective contribution to the middle-class has been the provision of fiscal incentives on both, the principal and interest component of a home loan. The Reserve Bank of India would do well to recognise that priority sector housing loans up to ₹ 25 lac in metropolitan cities

and ₹ 15 lac in other centres is unrealistic when inflationary and other cost escalation factors are considered. Priority sector housing loans should be increased to at least ₹ 40 lac per unit.

The state of our cities will determine India's future. While the vision of creating 100 new cities with smart connectivity is laudable, we also have to remember that focus is equally needed on making our existing cities more livable. Urbanisation is a double-edged sword – it can help raise the standard of living of millions, yet inaction could plunge cities into further chaos and mayhem. Good leadership is about prioritisation - securing India's urban future should be one of them.

We at HDFC remain as committed to housing as we were when we started thirty-seven years ago. We look forward to helping more people become proud homeowners and remain grateful for the support received by all our stakeholders.



## Awards & Accolades



- HDFC Board recognised as one of the India's Best Boards 2012 - An Economic Times & Hay Group Study
- HDFC has been selected as the top Indian company under the sector FIs / NBFCs / Financial Services for the Dun & Bradstreet Corporate Awards 2012
- HDFC adjudged as the 'Best Home Loan Provider' - Outlook Money Awards, 2013. HDFC received this award for the third consecutive year and the 4th occasion in the past 8 years
- HDFC was winner in the Best Home Loan Provider category at the CNBC Awaaz Real Estate Awards 2013
- HDFC Awarded the Qimpro-Best Prax Benchmark 2013 in Leadership Governance
- 'AAA' rating for HDFC Deposits by CRISIL & ICRA for the 19th consecutive year

## Directors' Report

### TO THE MEMBERS

Your Directors are pleased to present the Thirty-seventh annual report of your Corporation with the audited accounts for the year ended March 31, 2014.

FINANCIAL RESULTS	For the year ended March 31, 2014 (₹ in crore)	For the year ended March 31, 2013 (₹ in crore)
Profit before Tax	7,440.24	6,572.84
Tax Expense	2,000.00	1,724.50
Profit after Tax	5,440.24	4,848.34
Appropriations have been made as under:		
Special Reserve No. II	890.00	775.00
General Reserve	1,037.98	956.62
Statutory Reserve (under Section 29C of the National Housing Bank Act, 1987)	900.00	825.00
Shelter Assistance Reserve	60.00	40.00
Proposed Dividend (at ₹ 14 per equity share of face value of ₹ 2 each)	2,184.75	1,932.93
Additional Tax on Proposed Dividend	371.30	328.50
Additional Tax on Dividend	(15.18)	(24.62)
Dividend pertaining to Previous Year paid during the year	11.39	14.91
	5,440.24	4,848.34

### Dividend

Your directors recommend payment of dividend for the financial year ended March 31, 2014 of ₹ 14 per equity share of face value of ₹ 2 per share as against ₹ 12.50 per equity share of face value of ₹ 2 per share for the previous year.

The dividend payout ratio for the current year, inclusive of additional tax on dividend will be 47% as compared to 46.6% for the previous year.

### Corporate Office

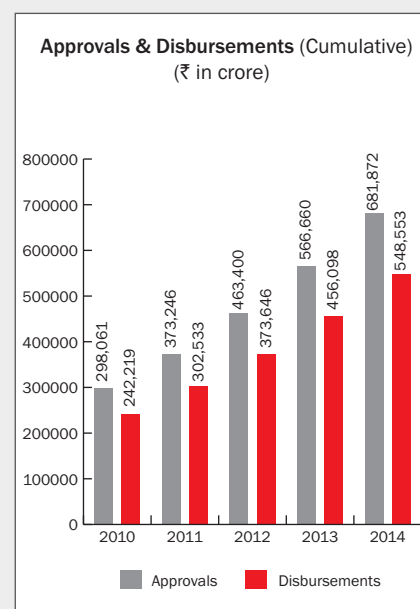
In January 2014, the Corporation shifted its corporate office. The new address is HDFC Limited, HUL House, H. T. Parekh Marg, 165-166 Backbay Reclamation, Churchgate, Mumbai 400 020. The registered office of the Corporation shall continue to be situated at Ramon House, H. T. Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai 400 020. All contact details of the Corporation remain unchanged.

### Lending Operations

Despite the overall slowdown in the economy, the demand for individual home loans continued to remain strong. The demand for affordable housing remained robust with increased growth coming from tier II and tier III cities. In an endeavour to further support home loans, the Finance Act, 2013 provided a one-time benefit of additional interest deduction up to ₹ 1 lac for first-time home buyers, provided the loan amount and property cost did not exceed ₹ 25 lac and ₹ 40 lac respectively. This, coupled with the other fiscal benefits available on home loans has helped reduce the effective rate of interest payable on a home loan.

Loan approvals during the year were ₹ 1,15,212 crore as compared to ₹ 1,03,260 crore in the previous year and loan disbursements during the year were ₹ 92,455 crore as against ₹ 82,452 crore in the previous year.

Individual loan approvals and disbursements grew by 16% and



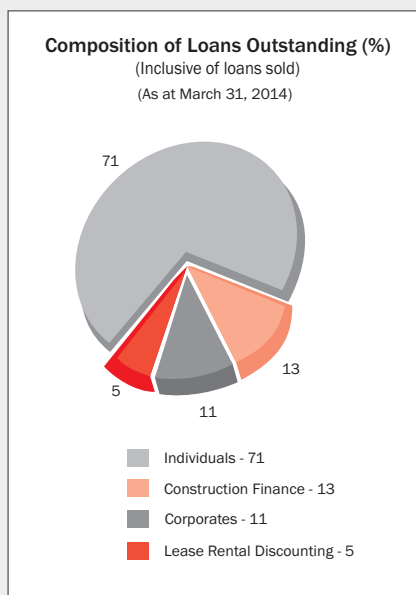


21% respectively during the year. The average size of individual loans stood at ₹ 22.1 lac as against ₹ 21.6 lac in the previous year.

Cumulative loan approvals and disbursements as at March 31, 2014 were ₹ 6,81,872 crore and ₹ 5,48,553 crore respectively. This is in respect of 4.7 million housing units.

As at March 31, 2014, the loan book stood at ₹ 1,97,100 crore as against ₹ 1,70,046 crore in the previous year. Loans sold during the preceding twelve months amounted to ₹ 6,944 crore. The growth in the individual loan book, after adding back loans sold was 26% (20% net of loans sold). Due to the economic slowdown and increased risks in non-individual lending, this portfolio grew by 9%. The growth in the total loan book after adding back loans sold was 20% (16% net of loans sold).

Of the total loan book, individual loans comprise 71%. Further, 85% of the incremental growth in the loan book during the year came from individual loans.



## Sale of Loans

During the year, the Corporation, under the loan assignment route sold individual loans amounting to ₹ 5,556 crore to HDFC Bank pursuant to the buyback option embedded in the home loan arrangement between the Corporation and HDFC Bank. In addition, the Corporation sold individual loans to other banks through the assignment/securitisation route amounting to ₹ 1,388 crore. All the loans assigned or securitised during the year qualify as priority sector loans for commercial banks.

As at March 31, 2014, total loans outstanding in respect of loans sold/assigned stood at ₹ 20,663 crore. HDFC continues to service loans and is entitled to the residual interest on the loans sold. The residual interest on the individual loans sold/assigned is 1.32% per annum. The residual income on the loans sold/assigned is being recognised over the life of the underlying loans and not on an upfront basis.

Issues through which loans have been sold/assigned which were rated by external rating agencies carry a rating indicating the highest degree of safety.

## Repayments

During the year under review, ₹ 58,410 crore was received by way of scheduled repayment of principal through monthly instalments as well as redemptions ahead of schedule, as compared to ₹ 48,089 crore received last year.

## Resource Mobilisation

### External Commercial Borrowing

During the year, the Corporation raised an external commercial

borrowing (ECB) of USD 300 million in the form of a syndicated loan facility. The ECB raised was under the low cost affordable housing scheme of the Reserve Bank of India (RBI). The Corporation was the first housing finance company to draw an ECB under this window.

The proceeds have to be utilised for financing prospective owners of low cost affordable housing units. As per the RBI norms, low cost affordable housing units have been defined as units where the property cost is up to ₹ 30 lac, the loan amount is capped at ₹ 25 lac and the carpet area does not exceed 60 square metres. The ECB is for a tenor of 5 years and the principal has been hedged in accordance with the guidelines prescribed by the RBI.

### Subordinated Debt

As at March 31, 2014, the Corporation's outstanding subordinated debt stood at ₹ 3,475 crore. The debt is subordinated to present and future senior indebtedness of the Corporation and has been assigned the highest rating of 'CRISIL AAA/Stable' and 'ICRA AAA/Stable' by CRISIL and ICRA respectively. Based on the balance term to maturity, as at March 31, 2014, ₹ 2,790 crore of the book value of subordinated debt is considered as Tier II under the guidelines issued by the National Housing Bank (NHB) for the purpose of capital adequacy computation. The Corporation did not issue any subordinated debt during the year.

### Non-Convertible Debentures (NCD)

During the year, the Corporation issued NCD amounting to ₹ 24,269 crore on a private placement basis. The Corporation's NCD issues have been listed on the Wholesale Debt



Market segment of the National Stock Exchange of India Limited and the BSE Limited. The NCD issues have been assigned the highest rating of 'CRISIL AAA/Stable' and 'ICRA AAA/Stable'. As at March 31, 2014, NCD outstanding stood at ₹ 81,661 crore. The Corporation has been regular in making payments of principal and interest on the NCD.

### Term Loans from Banks, Institutions and Refinance from the National Housing Bank (NHB)

As at March 31, 2014, the total loans outstanding from banks, institutions and NHB amounted to ₹ 32,952 crore as compared to ₹ 17,824 crore as at March 31, 2013.

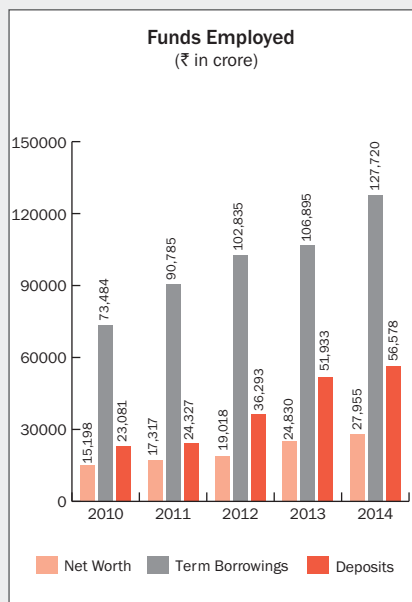
HDFC's long-term and short-term bank loan facilities have been assigned the highest rating of 'CARE AAA' and 'CARE A1+' respectively by CARE Ratings, signifying highest safety for timely servicing of debt obligations.

During the year, the Corporation has drawn NHB refinance amounting to ₹ 832 crore under the Golden Jubilee Rural Housing Refinance Scheme, Rural Housing Fund and Energy Efficient Housing Refinance Scheme.

### Deposits

As at March 31, 2014, deposits stood at ₹ 56,578 crore as against ₹ 51,933 crore in the previous year. The depositor base grew from 15.6 lac to 17.5 lac depositors.

CRISIL, a subsidiary of Standard & Poor's Rating Services and ICRA, an associate of Moody's Investors Service have for the nineteenth consecutive year, reaffirmed a rating of 'CRISIL FAAA/Stable' and 'ICRA MAAA/Stable' respectively for HDFC's deposits. These ratings represent the highest degree of safety regarding timely



servicing of financial obligations and carries the lowest credit risk.

The support of the agents and their commitment to the Corporation has been instrumental in HDFC's deposit products continuing to be a preferred investment for households and trusts.

### Unclaimed Deposits

As of March 31, 2014, public deposits amounting to ₹ 422.27 crore had not been claimed by 38,455 depositors. Since then, 11,813 depositors have claimed or renewed deposits of ₹ 200.35 crore. Depositors were intimated regarding the maturity of deposits with a request to either renew or claim their deposits. Where the deposit remains unclaimed, reminder letters are sent to depositors periodically and follow up action is initiated through the concerned agent or branch.

As per the provisions of Section 205C of the Companies Act, 1956, deposits remaining unclaimed for a period of seven years from the date they became due for payment have

to be transferred to the Investor Education and Protection Fund (IEPF) established by the central government. Accordingly, during the year, despite repeated reminders being sent to depositors, an amount of ₹ 108.14 lac has been transferred to the IEPF. In terms of the said section, no claims would lie against the Corporation or the IEPF after the transfer.

### Non-Performing Loans

Gross non-performing loans as at March 31, 2014 amounted to ₹ 1,357 crore. This is equivalent to 0.69% of the loan portfolio (as against 0.70% in the previous year). The non-performing loans of the individual portfolio stood at 0.53% while that of the non-individual portfolio stood at 1.01%.

As per NHB norms, the Corporation is required to carry a total provision of ₹ 1,460 crore.

The balance in the provision for contingencies account as at March 31, 2014 stood at ₹ 1,907 crore of which ₹ 546 crore is on account of non-performing loans and the balance



₹ 1,361 crore is in respect of general provisioning and other provisions. This balance in the provision for contingencies is equivalent to 0.96% of the loan portfolio. The Corporation carries an additional provision of ₹ 447 crore over the regulatory requirements.

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) has proved to be a useful recovery tool and the Corporation has been able to successfully initiate recovery action under this Act.

### Regulatory Guidelines/Amendments

The Corporation has complied with the Housing Finance Companies (NHB) Directions, 2010 prescribed by NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, credit rating, concentration of investments and capital market exposure norms.

During the year, NHB reduced the provisioning requirements in respect of standard loans for Commercial

Real Estate – Residential Housing (CRE-RH) from 1% to 0.75%. NHB also made amendments to the risk weights on individual housing loans which have been recalibrated based on the loan amount and the loan-to-value ratio. The risk weight on CRE-RH was lowered to 75% from 100% earlier, while other commercial real estate loans continue to carry a risk weight of 100%. This has had a positive impact on the capital ratios of the Corporation.

The Corporation's capital adequacy ratio, without reducing the investment in HDFC Bank from Tier I capital, while treating it as a 100% risk weight stood at 17.9% of the risk weighted assets, of which Tier I capital was 15.4% and Tier II capital 2.5%. The capital adequacy ratio after reducing the investment in HDFC Bank from Tier I capital stood at 14.6%, of which Tier I capital was 12.1% and Tier II capital was 2.5%. As per the regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 12% and 6% respectively.

### Codes and Standards

The Corporation has adopted various codes and standards set out by NHB including *inter alia* Know Your Customer (KYC) Guidelines, Anti Money Laundering Standards, Fair Practices Code, Model Code of Conduct for Direct Selling Agents and Guidelines for Recovery Agents engaged by HFCs.

During the year, NHB has stipulated that housing finance companies (HFCs) shall provide 'Most Important Terms and Conditions' of housing loans. The Corporation has adhered to this requirement with the objective of ensuring a better understanding of the major terms and conditions

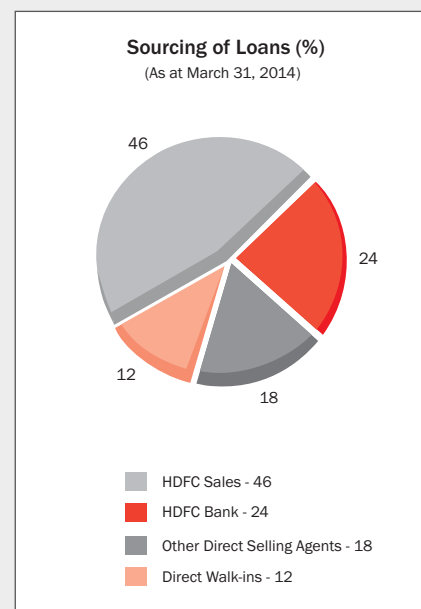
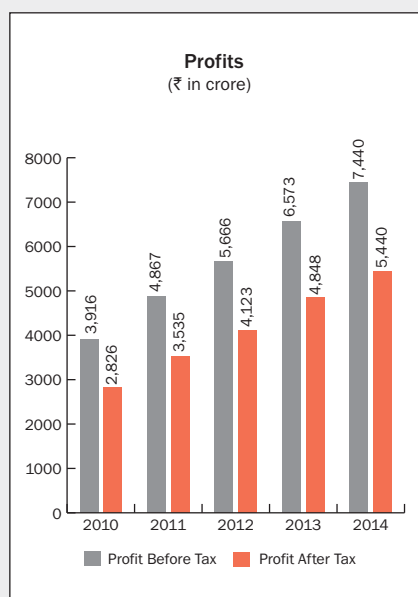
agreed upon between the Corporation and its loan customers.

The Corporation's Share Dealing Code is in accordance with the model code of conduct as prescribed under the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended. The code is applicable to all directors, employees and their dependents. The said persons are restricted from dealing in the securities of the Corporation during the restricted trading periods notified by the Corporation, from time to time.

The Corporation has mechanisms in place to review and monitor adherence to these codes and standards and ensure reporting and compliances as required.

### Marketing and Distribution

During the year, efforts were concentrated on further strengthening the distribution network. The Corporation's distribution network now spans 354 outlets, which includes 87 offices of HDFC's wholly owned distribution company, HDFC Sales Private Limited (HSPL).



To further augment the network, HDFC covers additional locations through its outreach programmes. HDFC has overseas offices in London, Singapore and Dubai. The Dubai office reaches out to its customers across Middle East through its service associates based in Kuwait, Qatar, Oman, Abu Dhabi and Saudi Arabia.

The Corporation's distribution channels which include HSPL, HDFC Bank and third party direct selling associates (DSAs) play an important role in sourcing home loans. In value terms, HSPL, HDFC Bank and third party DSAs sourced 46%, 24% and 18% of home loans disbursed respectively during the year.

The Corporation has distribution tie-ups with banks such as IndusInd Bank, RBL Bank and Lakshmi Vilas Bank as well as with Sundaram Finance Limited and Cholamandalam Distribution Services Limited. All distribution channels only source loans, while the control over the credit, legal and technical appraisal continues to rest with HDFC, thereby ensuring that the quality of loans disbursed is not compromised in any way and is consistent across all distribution channels.

The Corporation's marketing efforts were supplemented through an advertising campaign – '*Apni Jagah Banao*' (make your own space) which was well received. Capitalising on technology and the growing social media, various innovative online services have been initiated for new and existing customers.

Property fairs across major cities in India were organised. To cater to the Indian diaspora, 'India Homes Fairs' were held in London, Singapore and Dubai where developers were

invited by HDFC to show case their properties.

### Value Added Services and Cross Selling

HDFC's subsidiary companies have strong synergies with HDFC. This enables the Corporation to provide property related value added services and cross sell products and services under the 'HDFC' brand.

HDFC Realty Limited, a property advisory company, has a presence in over 23 locations across India and helps individuals and corporate institutions to buy, sell or lease real estate. HDFCRED.com, an on-line real estate search engine assists potential home buyers in identifying properties and provides leads for potential home loan customers.

HDFC and HSPL are Composite Corporate Agents for HDFC Standard Life Insurance Company Limited (HDFC Life) and HDFC ERGO General Insurance Company Limited (HDFC ERGO).

### International Housing Finance Initiatives

HDFC's expertise in housing finance is well regarded and therefore a number of existing and new housing finance companies are keen to tap the Corporation for training, strategic input and technical assistance in housing finance.

During the year, senior executives of the Corporation were invited to Indonesia to conduct training programmes on housing finance. The Frankfurt School of Finance & Management and HDFC jointly organised the sixth 'Housing Finance Summer Academy' in Germany, which is a course that aims to provide housing finance solutions

for emerging markets through a combination of academic knowledge and practical experience.

The Corporation remains committed to sharing its expertise in countries which have nascent mortgage markets – in particular, in Africa. During the year, the Corporation completed a study on the mortgage market in Rwanda and is currently engaged in assessing the feasibility of establishing a housing finance company in Tanzania.

### Shelter Assistance Reserve (SAR)

HDFC continued to partner with and support worthwhile projects undertaken by non-government organizations (NGOs), foundations and local bodies through the SAR. A total amount of ₹ 13.02 crore was disbursed from the SAR during the year.

The Corporation supported sanitation schemes to construct toilet blocks in a slum area in Pune and in three municipal schools near Chennai. It partnered a foundation in running three orphanages for girls in Kashmir, helped an organisation refurbish its education institution catering to girls from impoverished backgrounds in Lucknow and aided the running of twenty-five '*balwadis*' (pre-school centres) in Mumbai.

Support was extended to ADAPT (formerly the Spastic Society of India) towards the setting up of a neurological, pediatric and orthopedic rehabilitation unit for those with multiple disabilities. The Corporation also supported Tata Institute of Social Sciences towards their field action projects on rights and entitlements of de-notified and nomadic communities, for custodial institutions and addressing issues of destitution and homelessness and the Tara Trust

for running holistic programmes on the development of life skills across eight municipal schools in Goa. Other corpus contributions made from the SAR was towards S.P.J. Sadhana School, Shraddha Charitable Trust, Om Creations Trust, Tata Medical Centre and the Indian Institute for Human Settlements, among others.

The SAR was also utilised towards providing relief assistance to victims in the flood-affected areas of Uttarakhand. HDFC employees voluntarily contributed a one-day salary or more, towards providing relief and respite to the victims of this disaster. HDFC employees participated in marathons held in Bengaluru, Delhi and Mumbai in support of local charities.

### Corporate Social Responsibility

In accordance with the provisions of Section 135 of the Companies Act, 2013, the Corporation is required to constitute a Corporate Social Responsibility (CSR) Committee of Directors comprising at least three directors including an independent director.

The board at its meeting held on May 6, 2014, constituted the CSR Committee comprising Mr. Deepak S. Parekh (Chairman), Mr. D. N. Ghosh (Independent Director) and Mr. V. Srinivasa Rangan (Executive Director).

The Companies Act, 2013 and the rules made thereunder has defined various activities that can be undertaken towards CSR initiatives which *inter alia* include poverty eradication, health, education, promoting gender equality, environment sustainability, protection of national heritage, benefits for armed forces veterans and their dependents, sports, contributions to

approved central government funds and rural development projects.

The terms of reference of the committee *inter alia* include formulation of a CSR policy indicating the activities that will be undertaken, recommending the CSR policy to the board for adoption, recommending the amount of expenditure to be incurred and ensuring a transparent monitoring mechanism for undertaking such activities. The CSR committee will monitor the implementation of the CSR policy and apprise the board accordingly.

### H T Parekh Foundation

The H T Parekh Foundation was set up to commemorate the late Shri H. T. Parekh's enormous contribution to the development of housing finance and other financial services in India. During his lifetime, Shri H. T. Parekh was associated with several philanthropic causes and welfare organisations.

The H T Parekh Foundation was incorporated as a not for profit company licensed under Section 25 of the Companies Act, 1956. The objective of the foundation is to support and partner socially relevant projects through NGOs, community bodies and organisations in the development space. The foundation will look into the areas of education, child welfare, health and medical, community development, senior citizens and various programmes in the developmental space.

In terms of the CSR rules as applicable under the Companies Act, 2013, the Corporation can undertake its CSR activities directly or indirectly through the H T Parekh Foundation as may be decided by the board.

### Training and Development

During the year, training efforts were focused on induction programmes for new recruits and in-house training in operations, accounting, credit risk management, project approvals and policy implementation and process monitoring. An e-learning platform has been launched on a pilot basis to enable staff members to hone their skills online. Other training requirements were supplemented by nominating staff members for external programmes and conferences.

In order to raise the bar on customer service, the Corporation embarked on a project called 'Customer Relationship Enhancement through System Transformation' (CREST). The objective of CREST is to enhance the service delivery process and bring in a greater degree of efficiency between the Corporation's channel partners and customers. During the year, the first phase of CREST, encompassing the loan approval process has been rolled out across all branches. The streamlined loan approval system has resulted in faster loan approvals with higher productivity.

### Rural Housing

The Corporation has entered its fifth year of focused efforts in rural housing finance. The increase in agricultural and non-agricultural income in rural areas has led to sustained demand for home loans in rural areas. Further, improved infrastructure such as better road networks and communication facilities and an increase in remittances to rural areas by those working in cities are factors stimulating demand for rural housing.

The Corporation has developed skills to assess agricultural income and has



put in place robust legal and technical appraisal mechanisms to cater to the growing rural housing finance market. Efforts will continue to be made to reach out to progressive farmers and employed and self-employed individuals in rural India.

### Awards and Recognitions

During the year, the Corporation was selected as the 'Best Home Loan Provider' by CNBC Awaaz Real Estate Awards, was adjudged the 'Best Home Loan Provider' by Outlook Money Awards for the third consecutive year and was awarded the top Indian company under the FIs/NBFCs/ Financial Services category at the Dun & Bradstreet Corporate Awards.

The Corporation was ranked among the 'Five Best Boards' in a study conducted by Economic Times and Hay Group on India's best boards. In recognition of HDFC's leadership in governance, the Corporation received the Qimpro-Best Prax Benchmark award.

### Subsidiary Companies

The Government of India, Ministry of Corporate Affairs vide General Circular No. 2/2011 dated February 8, 2011, had granted general exemption to companies from the requirement of attaching to their annual report, balance sheet, statement of profit and loss and the report of the directors and auditors in respect of their subsidiary companies as required under Section 212(8) of the Companies Act, 1956, subject to fulfilling certain conditions.

The Board of Directors has passed the necessary resolutions granting the requisite approvals for not attaching to the annual report of the Corporation, a copy of the balance sheet,

statement of profit and loss, reports of the directors and auditors of the following 21 subsidiary companies of the Corporation: HDFC Developers Limited, HDFC Investments Limited, HDFC Holdings Limited, HDFC Asset Management Company Limited, HDFC Trustee Company Limited, HDFC Realty Limited, HDFC Standard Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited, GRUH Finance Limited, HDFC Sales Private Limited, HDFC Ventures Trustee Company Limited, HDFC Venture Capital Limited, HDFC Property Ventures Limited, Credila Financial Services Private Limited, HDFC Education and Development Services Private Limited, H T Parekh Foundation, Grandeur Properties Private Limited, Winchester Properties Private Limited, Windermere Properties Private Limited, Haddock Properties Private Limited and Pentagram Properties Private Limited and the following step-down subsidiary companies: HDFC Pension Management Company Limited, Griha Investments, Mauritius and Griha Pte. Limited, Singapore have not been attached to the balance sheet of the Corporation for the financial year ended March 31, 2014.

The annual report of the Corporation, the annual accounts and the related documents of the Corporation's subsidiary companies are posted on the website of the Corporation, [www.hdfc.com](http://www.hdfc.com). Shareholders who wish to have a copy of the annual accounts and detailed information on any subsidiary company can download the same from the website or may write to the Corporation for the same. Further, the said documents shall be available for inspection by the shareholders at the registered office of the Corporation.

The Corporation has not made any loans or advances in the nature of loans to any of its subsidiary or associate company or companies in which its directors are deemed to be interested, other than in the ordinary course of business.

### Review of Key Subsidiary and Associate Companies

#### HDFC Bank Limited (HDFC Bank)

HDFC and HDFC Bank continue to maintain an arm's length relationship in accordance with the regulatory framework. Both organisations, however, capitalise on the strong synergies through a system of referrals, special arrangements and cross selling in order to effectively provide a wide range of products and services under the 'HDFC' brand name.

As at March 31, 2014, advances of HDFC Bank stood at ₹ 3,03,000 crore – an increase of 26% over the previous year. Total deposits stood at ₹ 3,67,337 crore – an increase of 24%. As at March 31, 2014, HDFC Bank's distribution network includes 3,403 branches and 11,256 ATMs in 2,171 locations as against 3,062 branches and 10,743 ATMs in 1,845 locations as of March 31, 2013.

For the year ended March 31, 2014, HDFC Bank reported a profit after tax of ₹ 8,478.40 crore as against ₹ 6,726.28 crore in the previous year, representing an increase of 26%. HDFC Bank has recommended a dividend of ₹ 6.85 per share of face value of ₹ 2 each as against ₹ 5.5 per share for the previous year. During the year, the Corporation received a dividend of ₹ 216 crore from HDFC Bank.

HDFC together with its wholly owned subsidiaries, HDFC Investments

Limited and HDFC Holdings Limited holds 22.6% of the equity share capital of HDFC Bank.

#### **HDFC Standard Life Insurance Company Limited (HDFC Life)**

Gross premium income of HDFC Life for the year ended March 31, 2014 stood at ₹ 12,063 crore as compared to ₹ 11,323 crore in the previous year. The sum assured in force at the end of FY 2014 was ₹ 2,72,697 crore as compared to ₹ 2,01,858 crore in the previous year, representing a growth of 35%.

The Company has a portfolio of 22 retail products and 8 group products covering saving, investment, protection and retirement needs of its customers, along with 9 optional rider benefits.

HDFC Life's distribution network includes 429 branches, covering 985 cities. In addition, the company has 75,000 financial consultants, 4 bancassurance partners and 7 pan-India brokers and corporate agency tie-ups. In FY 2014, HDFC Life ranked third among private sector life insurers in terms of market share based on the weighted received premium of individual business.

HDFC Life has reported a profit after tax of ₹ 725.28 crore for the year ended March 31, 2014 as against ₹ 451.48 crore in the previous year. The back book is generating sufficient profits to offset the new business strain incurred in writing of new policies.

As at March 31, 2014, the Market Consistent Embedded Value stood at ₹ 6,992 crore (PY ₹ 5,872 crore). The new business margin on individual business stood at 26% (based on loaded acquisition expenses).

During the year, HDFC Life declared a maiden dividend of 5%. The solvency ratio of the company was 194% as at March 31, 2014 as against the minimum regulatory requirement of 150%.

HDFC holds 72.4% of the equity share capital in HDFC Life.

#### **HDFC Asset Management Company Limited (HDFC-AMC)**

As at March 31, 2014, HDFC-AMC managed 50 debt, equity, exchange traded fund and fund of fund schemes of HDFC Mutual Fund. The average assets under management during the month of March 2014 stood at ₹ 1,16,753 crore (which is inclusive of average assets under discretionary portfolio management/ advisory services). HDFC Mutual Fund has been ranked first in the industry on the basis of quarterly average assets under management for the year ended March 31, 2014. The number of investor accounts was in excess of 45 lac as at March 31, 2014. HDFC-AMC has 141 investor service centres across the country.

For the year ended March 31, 2014, HDFC-AMC reported a profit after tax of ₹ 357.77 crore as against ₹ 318.75 crore in the previous year.

HDFC holds 59.8% of the equity share capital of HDFC-AMC.

#### **HDFC ERGO General Insurance Company Limited (HDFC ERGO)**

During the year, HDFC ERGO continued to retain its market ranking as the fourth largest private sector player in the general insurance industry. Further, the company continued to be the largest player in the personal accident line of business.

The Company offers a complete range of insurance products like motor,

health, travel, home and personal accident in the retail segment and customised products like property, marine, aviation and liability insurance in the corporate segment. The company continues to leverage on the HDFC group's distribution capability to drive its growth and on the technical capability of ERGO in the field of general insurance. The company has a balanced portfolio mix with the retail segment accounting for 55% of the business.

The gross direct premium (excluding Motor and Declined risk pool) of the Company increased by 20% to ₹ 2,978 crore as against ₹ 2,491 crore in the previous year. During the year, the company achieved a profit before tax of ₹ 261.1 crore as against ₹ 235.3 crore in the previous year before considering the losses from the Indian Motor Third Party Insurance Pool (IMTPIP) and the Indian Motor Third Party Declined Risk Insurance Pool (IMTDRIP). The losses from IMTPIP and IMTDRIP were ₹ 36.8 crore (previous year ₹ 53.4 crore). Thus the profit before tax including the pool losses amounted to ₹ 224.3 crore (previous year loss of ₹ 181.9 crore). The overall profit after tax for the year stood at ₹ 195.4 crore as against a profit of ₹ 154.5 crore in the previous year. During the year, HDFC ERGO declared a maiden dividend of 5%.

The combined ratio before declined risk pool losses stood at 97.9%. The solvency ratio of the company was 160% as at March 31, 2014 as against the minimum regulatory requirement of 150%.

HDFC holds 73.8% of the equity share capital of HDFC ERGO.



## HDFC Property Funds

HDFC Venture Capital Limited (HVCL) is the investment manager to HDFC Property Fund, a registered venture capital fund with the Securities and Exchange Board of India (SEBI).

HDFC Property Fund currently has two schemes. The first scheme is HDFC India Real Estate Fund (HI-REF), with an initial corpus of ₹ 1,000 crore. The scheme has made several profitable exits. The term of the scheme was to have ended on June 17, 2013, however, based on the recommendation of HVCL, the term of the scheme was extended to June 17, 2014. The balance corpus as at March 31, 2014 stood at ₹ 274 crore. Exits are being made for the balance investments of the scheme.

The second scheme, HDFC IT Corridor Fund had a corpus of ₹ 464 crore. The scheme has made an in-specie distribution of all its balance investments to its unit holders and thus the balance corpus as at March 31, 2014 was nil. HDFC IT Corridor Fund has redeemed all the units held by the investors.

HDFC holds 80.5% of the equity share capital of HVCL.

HDFC Property Ventures Limited (HPVL) provides investment advisory services to Indian and overseas asset management companies (AMCs). Such AMCs in turn manage and advise Indian and offshore private equity funds.

HDFC holds 100% of the equity share capital of HPVL.

## GRUH Finance Limited (GRUH)

GRUH is a housing finance company with a retail network of 142 offices spread across 7 states. During

the year, GRUH disbursed loans amounting to ₹ 2,577 crore as compared to ₹ 2,174 crore in the previous year – an increase of 19%. As at March 31, 2014, the loan portfolio stood at ₹ 7,009 crore, recording a growth of 29% over the previous year. The gross non-performing loans stood at 0.27% of the total loans outstanding and the net non performing loans is nil. The average size of loans disbursed during the year was ₹ 7.6 lac.

As at March 31, 2014, the capital adequacy ratio stood at 16.4%, of which Tier I capital was 14.7% and Tier II capital was 1.7%.

For the year ended March 31, 2014, GRUH reported a profit after tax of ₹ 176.96 crore as compared to ₹ 145.88 crore in the previous year - an increase of 21%.

The board recommended a dividend for the year ended March 31, 2014 of ₹ 3 per equity share of face value of ₹ 2 per share of as against ₹ 2.50 in the previous year. The board has also recommended the issue of bonus shares in the ratio of 1 equity share for every 1 equity share held.

HDFC's holding in GRUH currently stands at 59.2%.

## HDFC Sales Private Limited (HSPL)

HDFC Sales Private Limited (HSPL) continues to strengthen the Corporation's marketing and sales efforts by providing a dedicated sales force to sell home loans and other financial products.

HSPL has a presence in 93 locations. During the year under review, HSPL sourced loans accounting for 46% of individual loans disbursed by HDFC.

HSPL is a wholly owned subsidiary of HDFC.

## Credila Financial Services Private Limited (Credila)

Credila is India's first dedicated education loan company, providing loans to students pursuing higher education in India and abroad. As on March 31, 2014, Credila had cumulatively disbursed ₹ 1,458 crore to 15,471 customers. The outstanding loan book stood at ₹ 1,181 crore, registering a growth of 53% over the previous year. The average loan amount disbursed is ₹ 9.4 lac. For the year ended March 31, 2014, Credila reported a profit after tax of ₹ 19.18 crore as against ₹ 9.05 crore in the previous year.

In addition to having its own offices and sourcing applications through the web, Credila capitalises on HDFC's distribution network to source and market education loans. Credila's borrowers are entitled to income tax exemption under Section 80E of the Income Tax Act, 1961.

HDFC holds 89.5% of the share holding in Credila on a fully diluted basis.

## Particulars of Employees

HDFC had 1,956 employees as of March 31, 2014. During the year, 5 employees employed throughout the year were in receipt of remuneration of ₹ 60 lac or more per annum.

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed there under, the names and other particulars of employees are set out in the annex to the Directors' Report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Corporation excluding the annex.

Any shareholder interested in obtaining a copy of the said annex may write to the Corporation.

### Employees Stock Option Scheme (ESOS)

The Corporation had not granted any stock options during the year. Options were last granted on May 23, 2012 under ESOS-2011. Options outstanding as at April 1, 2013 relates to ESOS-07, ESOS-08 and ESOS-11. There has been no variation in the terms of the options granted under any of these schemes.

During the year, options vested aggregated to 58,26,953 and options exercised aggregated to 28,37,070. Pursuant to the said exercise, the Corporation received from the employees, ₹ 629.26 crore as exercise consideration (excluding tax), of which ₹ 2.84 crore was towards share capital and ₹ 626.42 crore towards securities premium. During the year, pursuant to the exercise of options, 1,41,85,350 equity shares of ₹ 2 each were allotted to the concerned employees.

During the year, 57,675 options lapsed, while options in force (including unvested) as on March 31, 2014 stood at 66,03,920.

The Corporation had granted the stock options at the market price and hence the intrinsic value of the option was nil. Consequently, the compensation cost was nil. However, if the fair value of the options using the Black-Scholes model was used, considering the assumptions as of the date of grant, the compensation cost (net) would have been ₹ 34.97 crore, the profit after tax would have been lesser by ₹ 34.97 crore and the basic and diluted Earnings Per Share (EPS) would have been ₹ 34.67 and ₹ 34.40 respectively.

The diluted EPS is ₹ 34.62 as against a basic EPS of ₹ 34.89.

### Unclaimed Dividend

As at March 31, 2014, dividend amounting to ₹ 14.36 crore had not been claimed by shareholders of the Corporation. The Corporation has been periodically intimating the concerned shareholders requesting them to encash their dividend before it becomes due for transfer to the IEPF. The Corporation continues to take various initiatives to reduce the quantum of unclaimed dividend.

As per the provisions of Section 205C of the Companies Act, 1956, unclaimed dividend amounting to ₹ 56.84 lac for FY 2005-06 was transferred to the IEPF on September 7, 2013. Further, the unclaimed dividend in respect of FY 2006-07 must be claimed by shareholders by August 4, 2014, failing which it will be transferred to the IEPF within a period of 30 days from the said date. In terms of the said section, no claim would lie against the Corporation or the IEPF after the transfer.

In terms of the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Corporation has made the relevant disclosures to the Ministry of Corporate Affairs (MCA) regarding unclaimed dividends and unclaimed matured deposits along with interest accrued thereon. The Corporation has uploaded the prescribed information on [www.iepf.gov.in](http://www.iepf.gov.in) and [www.hdfc.com](http://www.hdfc.com).

### Unclaimed Shares

Details on unclaimed shares is provided in the section on 'Shareholders' Information' in the annual report.

### Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars regarding foreign exchange earnings and expenditure appear as Item Nos. 25.1 and 26.3 in the Notes to the Accounts. Since HDFC does not own any manufacturing facility, the other particulars relating to conservation of energy and technology absorption as stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable.

### Directors

Mr. Keshub Mahindra and Mr. Shirish B. Patel resigned as directors of the Corporation on October 21, 2013. Both, Mr. Mahindra and Mr. Patel were the directors of the Corporation since its inception. They also resigned as members of the Nomination and Compensation Committee of Directors of the Corporation.

The Board of Directors has placed on record its appreciation of the valuable contribution, commitment and guidance rendered by Mr. Mahindra and Mr. Patel.

Mr. B. S. Mehta, Mr. D. N. Ghosh, Dr. S. A. Dave, Dr. Ram S. Tarneja, Dr. J. J. Irani, Mr. Nasser Munjee and Dr. Bimal Jalan, non-executive directors of the Corporation have submitted declarations under Section 149(7) of the Companies Act, 2013, confirming that they meet the criteria prescribed for independent directors as stipulated under Section 149(6) of the said Act. Notices have been received from some members recommending their appointment as independent directors under Section 160 of the Companies Act, 2013. The independent directors are proposed

to be appointed for a period of 5 years from the date of the ensuing AGM and they shall not be liable to retire by rotation.

The Board of Directors, at its meeting held on May 6, 2014 re-appointed Ms. Renu Sud Karnad as the Managing Director of the Corporation and Mr. V. Srinivasa Rangan as the whole-time director of the Corporation (designated as 'Executive Director'), each for a period of 5 years, with effect from January 1, 2015, subject to the approval of the members at the ensuing AGM. The office of both, the Managing Director and Executive Director of the Corporation will be liable to retire by rotation.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Corporation, Mr. D. M. Sukthankar is liable to retire by rotation at the ensuing AGM. He is eligible for re-appointment.

Necessary resolutions and explanatory statement for the appointment/re-appointment of the aforesaid directors have been included in the notice convening the ensuing AGM.

All the directors of the Corporation have confirmed that they are not disqualified from being appointed as directors in terms of Section 274(1)(g) of the Companies Act, 1956.

Dr. S. A. Dave is the Corporation's nominee director on the board of HDFC Life. This is in accordance with Clause 49 of the listing agreements, which requires the Corporation to nominate at least one of its independent directors on the board of HDFC Life, which is a material unlisted Indian subsidiary company of the Corporation.

## Auditors

Messrs Deloitte Haskins & Sells LLP, Chartered Accountants, having registration number 117366W/W-10018, statutory auditors of the Corporation and branch auditors to audit the accounts at the Corporation's branches in India and offices in London and Singapore, hold office until the conclusion of the ensuing AGM and are eligible for appointment.

The Corporation has received a confirmation from Messrs Deloitte Haskins & Sells LLP to the effect that their appointment, if made, at the ensuing AGM would be in terms of Sections 139 and 141 of the Companies Act, 2013 and rules made there under. The board proposes to appoint Messrs Deloitte Haskins & Sells LLP for a period of 3 years from the conclusion of the ensuing AGM, subject to ratification by the members of the Corporation at each AGM.

Messrs PKF, Chartered Accountants, having registration number 10 issued by the Ministry of Economy, United Arab Emirates (UAE) was appointed as the branch auditors to audit the accounts of the Corporation's branch office in Dubai. Their term expires at the end of the ensuing AGM and they are eligible for appointment. The board proposes to appoint Messrs PKF for a period of 3 years from the conclusion of the ensuing AGM, subject to ratification by the members of the Corporation at each AGM.

## Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 and based on the information provided by the

management, your directors state that:

- i. In the preparation of annual accounts, the applicable accounting standards have been followed;
- ii. Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Corporation as at the end of March 31, 2014 and of the profit of the Corporation for the year ended on that date;
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities;
- iv. The annual accounts of the Corporation have been prepared on a going concern basis.

## Management Discussion and Analysis Report, Report of the Directors on Corporate Governance and Business Responsibility Report

In accordance with Clause 49 of the listing agreements, the Management Discussion and Analysis Report and the Report of the Directors on Corporate Governance form part of this report.

In accordance with the provisions of Clause 55 of the listing agreements, the Business Responsibility Report (BRR) has been prepared and uploaded on [www.hdfc.com](http://www.hdfc.com).

Members who wish to receive a physical copy of the BRR are requested to write to the Corporation.

#### **Companies Act, 2013**

The Companies Act, 2013 was notified in the Official Gazette of the Government of India on August 29, 2013. On September 12, 2013, the Ministry of Corporate Affairs (MCA) notified 98 sections and on March 27, 2014, the MCA notified another 198 sections, which were deemed to come into force with effect from April 1, 2014.

The MCA vide Circular No. 08/2014 dated April 4, 2014 clarified that the financial statements and the documents required to be attached thereto, the auditors' and directors' report in respect of the financial year under reference shall continue to be

governed by the relevant provisions of the Companies Act, 1956, schedules and rules made there under.

The Corporation has accordingly prepared this balance sheet, statement of profit & loss, the schedules and notes thereto and the Directors' Report in accordance with the relevant provisions of the Companies Act, 1956, schedules and rules made there under.

The Corporation has taken cognisance of the new legislation and shall comply with the provisions of the Companies Act, 2013, as applicable.

#### **Acknowledgements**

The Corporation would like to acknowledge the role of all its stakeholders - shareholders, borrowers, channel partners,

depositors, key partners and lenders for their continued support to the Corporation.

The directors appreciate the guidance received from various regulatory authorities including NHB, RBI, SEBI, MCA, Registrar of Companies, Financial Intelligence Unit (India), Foreign Investment Promotion Board, the Stock Exchanges and the Depositories.

Your directors place on record their appreciation of the hard work and dedication of all the employees of the Corporation.

On behalf of the Board of Directors

MUMBAI  
May 6, 2014

DEEPAK S. PAREKH  
Chairman

## Report of the Directors on Corporate Governance

The business environment has become increasingly complex and uncertain. Companies that are able to maintain their competitive advantage are those that stay focused on the changing needs of their stakeholders. Such companies consistently strive to adopt better and more effective governance practices. However, achieving good corporate governance is challenging as it is an inter play of economics, politics, business, markets, regulation and above all – human nature, which entails promoting the right behaviour and creating value.

In the recent period, the role, responsibilities and expectations of a board has also undergone considerable change. An effective board needs to stay abreast of a wide array of issues pertaining to a company. The board must provide its collective vision as to how a company should conduct its business and it needs to define a framework of prudent and effective controls which will enable risk to be assessed and managed. More importantly, an effective board must demonstrate and promote ethical leadership throughout the company.

Many Indian companies have been recognised globally for their sustained high standards of corporate governance. Good governance earns investor confidence and empirical evidence shows that investors are always willing to pay a premium for well-governed companies.

The corporate governance framework in India has been strengthened through the recently notified provisions of the Companies Act, 2013 and rules framed there under. In addition, the Securities and Exchange Board of India (SEBI), the capital market regulator, has recently recommended proposals to improve transparency in corporate governance. Governance norms are most effectively implemented when there is harmonisation and convergence in the overall regulatory framework.

Another positive emerging trend in India is that investors are increasingly keen to protect their investment stakes and are less inclined to vote with their feet. There has been a rise in shareholder activism, proxy advisory services are gaining prominence, minority shareholder rights have been strengthened and non-promoter investors are demanding that boards and management engage more actively with them. This is clearly indicative of growing investor confidence, which augurs well for India.

### Corporate Governance at HDFC

At HDFC, there has always been a firm commitment to promote, throughout the organisation, a culture of integrity, transparency and accountability. This defines the business ethics and core values. The Corporation recognises that striving to adopt best practices in corporate governance is a dynamic process between all its stakeholders.

The Corporation believes in nurturing long-term, sustainable relationships with its investors. It is for this reason that senior management devotes considerable time and effort towards engaging constructively with all its investors. Communicating in a consistent, credible and transparent manner enables investors to appreciate and better understand the long-term strategies of the Corporation.

The board is taking cognizance of the new evolving corporate governance framework in India. It is taking a holistic view and remains committed towards ensuring that the spirit and code of governance related practices will always be upheld. The board stands resolute that it will not subscribe to governance tick boxes and will continue to build on its founding principles of fairness, kindness, efficiency and effectiveness.

During the year, the Corporation was ranked among the 'Five Best Boards' in a study conducted by Economic Times and Hay Group on India's best boards.

The board fully supports and endorses corporate governance practices in accordance with the provisions of the Clause 49 of the listing agreements. The Corporation has complied with the requirements of the said Clause and listed below is the status with regard to the same.

### Board of Directors

#### Composition

The Board of Directors comprises twelve members. There are nine non-executive directors including the Chairman of the Corporation. The three whole-time directors include the Vice Chairman & Chief Executive Officer (CEO), the Managing Director and the Executive Director. Of the nine non-executive directors, eight are independent directors. The independent directors have confirmed that they satisfy the criteria prescribed for an independent director as stipulated



in Clause 49 I (A) (iii) of the listing agreements. None of the directors of the Corporation are related to each other. The directors bring to the board a wide range of experience and skills. Brief profiles of the directors, are set out elsewhere in the annual report. The composition of the board is in conformity with Clause 49 I (A) of the listing agreements. Details of the Board of Directors in terms of their directorships/memberships in committees of public companies (excluding HDFC) are as under:

Sr. No.	Directors	Number of Directorships	Number of Committees	
			Member	Chairperson
1	Mr. Deepak S. Parekh (Chairman)	7	5	2
2	Mr. B. S. Mehta	13	9	4
3	Mr. D. M. Sukthankar	3	2	1
4	Mr. D. N. Ghosh	4	-	-
5	Dr. S. A. Dave	8	6	2
6	Dr. Ram S. Tarneja	9	5	1
7	Mr. Nasser Munjee	11	8	5
8	Dr. Bimal Jalan	-	-	-
9	Dr. J. J. Irani	3	1	-
10	Mr. V. Srinivasa Rangan (Executive Director)	12	8	-
11	Ms. Renu Sud Karnad (Managing Director)	14	5	3
12	Mr. Keki M. Mistry (Vice Chairman & CEO)	13	10	4

*Mr. Deepak S. Parekh is the non-executive Chairman of the Corporation.*

*Sr. Nos. 2 to 9 are independent directors. Sr. Nos. 10 to 12 are whole-time directors.*

*The number of directorships includes directorships in HDFC group companies. Excluding the directorships mentioned above, Mr. Deepak S. Parekh is an alternate director in two companies and Mr. B. S. Mehta is an alternate director in one company.*

SEBI has vide its circular dated April 17, 2014 made various amendments to Clause 49 of the listing agreement. The directors of the Corporation have taken cognisance of these amendments which need to be complied with by October 1, 2014. In accordance with the stipulated requirements, the directors of the Corporation will ensure that they comply with the limits on the number of directorships where they serve as independent directors of other listed companies.

### Responsibilities

The Board of Directors represent the interests of the Corporation's stakeholders in optimising long-term value by providing the management with guidance and strategic direction on their behalf. The board's mandate is to oversee the Corporation's strategic direction, review corporate performance, assess the adequacy of risk management and mitigation measures, authorise and monitor strategic investments, ensure regulatory compliance and safeguard interests of all stakeholders.

### Role of Independent Directors

Independent directors play a key role in the decision-making process of the board as they approve the overall strategy of the Corporation and oversee the performance of management. The independent directors are committed to acting in what they believe is in the best interest of the Corporation and its stakeholders.

The independent directors bring to the Corporation a wide range of experience, knowledge and judgement as they draw on their varied proficiencies in economics, finance, housing, management, accountancy, law, public policy, engineering and corporate strategy. This wide knowledge of both, their field of expertise and boardroom practices helps foster varied, unbiased, independent and experienced perspectives. The Corporation benefits immensely from their inputs in achieving its strategic direction.

The Audit Committee and the Nomination & Compensation Committee consist entirely of independent directors. The Investor Relations & Grievance Committee has a majority of independent directors. These committees function



within the defined terms of reference in accordance with the Companies Act, 1956, the listing agreements and as approved by the board, from time to time.

Board members ensure that their work in other capacities do not impinge on their fiduciary responsibilities as directors of the Corporation.

### Board Meetings

The meetings of the Board of Directors are normally held at the Corporation's registered office in Mumbai. Meetings are generally scheduled well in advance and the notice of each board meeting is given in writing to each director. The board meets at least once a quarter to review the quarterly performance and financial results of the Corporation.

The company secretary in consultation with the Chairman and the whole-time directors prepares a detailed agenda for the meetings. The board is provided with the relevant information as stipulated in Clause 49 of the listing agreements. The members of the board have access to all information of the Corporation. The board papers, agenda and other explanatory notes are circulated to the directors in advance. The members of the board are also free to recommend inclusion of any matter in the agenda for discussion. Senior management is invited to attend the board meetings so as to provide additional inputs to the items being discussed by the board. At the board meetings, the executive directors and senior management make presentations on various matters including the financial results, operations related issues, risk management, the regulatory environment or any other issues which the board wants to be apprised of. The minutes of each board/committee meeting are recorded in the minutes book.

The minutes of the board meetings of the unlisted subsidiary companies of the Corporation are placed before the board meetings on a quarterly basis. A summary of the key decisions taken by the Board of Directors of the subsidiary companies of the Corporation is tabled at the board meetings on a half-yearly basis. A statement of significant transactions and arrangements entered into by HDFC Standard Life Insurance Company Limited (HDFC Life), a material unlisted subsidiary company of the Corporation, is placed at the board meetings on a quarterly basis.

In terms of the provisions of Clause 49 III (i) of the listing agreements, the Corporation is required to nominate at least one independent director on the board of HDFC Life, which is a material non-listed Indian subsidiary company. Accordingly, the Corporation has nominated Dr. S. A. Dave as its nominee on the board of HDFC Life.

During the year under review, the board met five times. The meetings were held on May 8, 2013, July 19, 2013, October 21, 2013, January 22, 2014 and March 26, 2014. The attendance of the directors at the above-mentioned board meetings and the 36<sup>th</sup> AGM held on July 19, 2013, along with the sitting fees paid to them are listed below:

Directors	Board Meetings		Attendance at the 36 <sup>th</sup> AGM
	Number of Meetings Attended	Sitting Fees Paid (₹)	
Mr. Deepak S. Parekh (Chairman)	5	1,00,000	Yes
Mr. Keshub Mahindra (Vice Chairman)*	1	20,000	No
Mr. Shirish B. Patel*	3	60,000	Yes
Mr. B. S. Mehta	5	1,00,000	Yes
Mr. D. M. Sukthankar	5	1,00,000	Yes
Mr. D. N. Ghosh	5	1,00,000	Yes
Dr. S. A. Dave	5	1,00,000	Yes
Dr. Ram S. Tarneja	5	1,00,000	Yes
Mr. Nasser Munjee	4	80,000	Yes
Dr. Bimal Jalan	4	80,000	Yes
Dr. J. J. Irani	4	80,000	No
Mr. V. Srinivasa Rangan (Executive Director)	5	-	Yes
Ms. Renu Sud Karnad (Managing Director)	5	-	Yes
Mr. Keki M. Mistry (Vice Chairman & CEO)	5	-	Yes

\* Mr. Keshub Mahindra and Mr. Shirish B. Patel resigned as directors of the Corporation, with effect from October 22, 2013.

Leave of absence was granted to the concerned directors who could not attend the respective board meetings.

The board met on May 6, 2014, to *inter alia* approve the audited annual financial results of the Corporation and the audited consolidated financial results for the year ended March 31, 2014.

### Committees of the Board

To enable better and more focused attention on the affairs of the Corporation, the board delegates particular matters to committees of the board set up for the purpose. These committees prepare the groundwork for decision-making and report the same to the board at the subsequent meetings.

#### Audit Committee

The Audit Committee solely comprises independent directors. The members of the committee are Dr. S. A. Dave (Chairman), Mr. B. S. Mehta and Mr. D. N. Ghosh. All the members of the committee have accounting and financial management expertise. The quorum for the meeting of the committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the committee *inter alia* include overseeing the Corporation's financial reporting process and disclosures of financial information. The prime responsibility of the committee is to review with the management, the consolidated and standalone quarterly/annual financial statements prior to recommending the same to the board for its approval.

The committee recommends to the board, the appointment or re-appointment of the statutory auditors including branch auditors and their remuneration. The committee and statutory auditors discuss the nature and scope of audit prior to the commencement of the audit and areas of concern, if any, arising post audit. In addition, the committee approves payment of fees for other services rendered by the statutory auditors. The committee approves the appointment or re-appointment of internal auditors of the Corporation and their remuneration.

The committee's functions include reviewing the adequacy of the internal audit function, its structure, reporting process, audit coverage and frequency of internal audits. The committee's functions also include periodical review of the internal audit reports on compliances pertaining to Know Your Customer norms, internal controls and other compliances. The responsibility of the committee is to also review the findings of any internal investigation by the internal auditors in matters relating to suspected fraud or irregularity or failure of internal control systems of material nature and report the same to the board.

The committee reviews the reports of the internal and statutory auditors and ensures that adequate follow-up action is taken by the management on observations and recommendations made by the respective auditors. In addition, the committee annually reviews the performance of the internal and statutory auditors to ensure that an objective, professional and cost effective relationship is being maintained.

During the year, the committee *inter alia* reviewed the statement of uses/application of funds raised by issuance of debt securities on a private placement basis, management of assets and liabilities of the Corporation, foreign currency and derivative positions, performance of the loan portfolio, statement of related party transactions and the Management Discussion and Analysis Report. The committee reviewed the investments made by the unlisted subsidiary companies of the Corporation and their annual financial statements. It also reviewed the audit observations made by the statutory auditors and the response of the management on the key audit observations. The committee reviewed other matters as mandated under Section 292A of the Companies Act, 1956 and Clause 49 II of the listing agreements as applicable.

The committee, on a quarterly basis discussed and reviewed with the statutory auditors of the Corporation, the key highlights of the limited review of the unaudited financial results (stand alone) of the Corporation and the unaudited consolidated financial results before recommending the same to the board for its approval.

It is the committee's prerogative to invite senior executives of the Corporation whom it considers appropriate to be present at the meetings. Senior management and auditors are invited to participate in the meetings of the committee as and when necessary. The Corporation affirms that no employee has been denied access to the Chairman of the committee.

During the year, the committee met six times. The meetings were held on May 8, 2013, July 19, 2013, October 21, 2013, December 17, 2013, January 22, 2014 and March 26, 2014. The Chairman of the committee was present at the 36<sup>th</sup> AGM to answer shareholder queries. The gap between two meetings did not exceed 4 months.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting Fees Paid (₹)
Dr. S. A. Dave (Chairman)	6	1,20,000
Mr. B. S. Mehta	6	1,20,000
Mr. D. N. Ghosh	6	1,20,000

The committee met on May 6, 2014 to *inter alia* review the audited annual financial results of the Corporation and the audited consolidated financial results for the year ended March 31, 2014 and recommended the same to the board for its approval.

#### Nomination & Compensation Committee

The Nomination & Compensation Committee solely comprises independent directors. Consequent to the resignation of Mr. Keshub Mahindra and Mr. Shirish B. Patel as directors of the Corporation, with effect from October 22, 2013, the Nomination & Compensation Committee was reconstituted, comprising Mr. B. S. Mehta (Chairman), Mr. Nasser Munjee and Dr. J. J. Irani.

The terms of reference of the committee *inter alia* include identifying persons who are qualified to become directors of the Corporation, recommending their appointment to the board, ensuring that such persons meet the relevant criteria prescribed under applicable laws and reviewing and approving the remuneration payable to the executive directors of the Corporation within the overall limits as approved by the shareholders and commission payable to the Chairman of the Corporation.

As regards remuneration payable to the executive directors, the committee ensures that (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of quality required to run the Corporation successfully; (b) the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and (c) the remuneration to directors involves a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the strategic objectives of the Corporation and ensures that it is within the overall limits prescribed under the provisions of the Companies Act, 1956 and is in accordance with the approval granted by the shareholders of the Corporation.

The committee's terms of reference also include formulation and administration of the employee stock option schemes, including granting of options to eligible employees under these schemes.

The annual compensation of executive directors has been approved by the committee and is within the overall limits as approved by the shareholders.

The committee met three times during the year under review. The meetings were held on May 8, 2013, October 21, 2013 and March 26, 2014.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting Fees Paid (₹)
Mr. Keshub Mahindra <sup>1 &amp; 2</sup>	1	20,000
Mr. Shirish B. Patel <sup>2</sup>	2	40,000
Mr. B. S. Mehta <sup>3</sup>	3	60,000
Mr. Nasser Munjee <sup>4</sup>	1	20,000
Dr. J. J. Irani <sup>4</sup>	1	20,000

<sup>1</sup> Leave of absence was granted to Mr. Keshub Mahindra who could not attend the meeting held on May 8, 2013.

<sup>2</sup> Upon their resignation as directors of the Corporation, they ceased to be members of the committee, with effect from October 22, 2013.

<sup>3</sup> Appointed as the Chairman of the Nomination & Compensation Committee, with effect from October 22, 2013.

<sup>4</sup> Appointed as members of the committee, with effect from October 22, 2013.

## Investor Relations & Grievance Committee

The Investor Relations & Grievance Committee consists of a majority of independent directors. The members of the committee are Dr. Ram S. Tarneja (Chairman), Dr. S. A. Dave and Mr. V. Srinivasa Rangan. Mr. Girish V. Koliyote, the company secretary of the Corporation, in his capacity as compliance officer, is responsible for expediting the share transfer formalities.

The terms of reference of the committee *inter alia* include reviewing mechanisms adopted by the Corporation to redress shareholder and depositor complaints, the status of litigations filed by/against shareholders of the Corporation and initiatives taken to reduce the quantum of unclaimed dividends. The committee oversees adherence to service standards and standard operating procedures pertaining to investor services. The committee reviews the status of compliances with applicable corporate and securities laws.

During the year, the committee reviewed the activities relating to the investor services department of the Corporation, compliance with applicable corporate and securities laws, initiatives taken to reduce the quantum of unclaimed dividends and the secretarial audit report. The committee also reviewed compliances and other issues pertaining to deposits raised by the Corporation.

During the year under review, the committee met four times. The meetings were held on April 15, 2013, July 12, 2013, October 14, 2013 and January 15, 2014. The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting Fees Paid (₹)
Dr. Ram S. Tarneja (Chairman)	4	80,000
Dr. S. A. Dave*	3	60,000
Mr. V. Srinivasa Rangan	4	-

\* Leave of absence was granted to Dr. S. A. Dave who could not attend the meeting on July 12, 2013.

## Investor Grievances

The Corporation has a designated e-mail address, [investorcare@hdfc.com](mailto:investorcare@hdfc.com) to enable its investors to post their grievances and monitor its redressal. During the year, the Corporation received a total of 4,326 correspondence from its investors, capital market intermediaries and statutory/regulatory authorities including e-mails requesting for dematerialisation of shares, transfer/transmission of shares, issue of duplicate/re-validated dividend warrants, sub-divided share certificates, effecting changes to the address and/or bank account particulars of the shareholders, annual reports and other services relating to the securities issued and allotted by the Corporation.

At the beginning of the financial year, there was no investor complaint that was unresolved. During the year, the Corporation received 11 investor complaints, all of which were resolved and as such there was no unresolved investor complaint as at March 31, 2014.

Presently, the Corporation is a party to litigations relating to disputes over title to shares. The Corporation is not in agreement with the claims made by the concerned shareholders and the litigations are not material in nature.

No penalties or strictures have been imposed on the Corporation by any stock exchange, SEBI or other statutory authority on any matter relating to the capital markets.

## Employee Stock Option Scheme (ESOS)

During the year, no new options have been granted under the ESOS. The disclosures in respect of ESOS as required under Clause 12.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, have been made in the Directors' Report.

## Code of Conduct

The Corporation has framed and adopted a Code of Conduct, which is approved by the Board of Directors. The code is applicable to all directors and senior management of the Corporation and is posted on the Corporation's website,

[www.hdfc.com](http://www.hdfc.com). For the year under review, all directors and senior management have affirmed their adherence to the provisions of the code.

### Share Dealing Code

The Corporation has formulated and adopted a Share Dealing Code, in accordance with the model code of conduct as prescribed under the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended.

The code prescribes the detailed procedures and guidelines to be adopted while dealing in the securities of the Corporation. The code is applicable to all directors, employees and their dependents. The said persons are prohibited from dealing in the securities of the Corporation during the restricted trading periods notified by the Corporation, from time to time and whilst in possession of any unpublished price sensitive information relating to the securities of the Corporation.

Further, other than the exercise of stock options, directors and designated employees who buy and sell any number of shares of the Corporation are prohibited from entering into an opposite transaction on the stock exchanges i.e. sell or buy any number of shares during the next six months following the prior transaction and from taking positions in derivative transactions in the equity shares of the Corporation.

In compliance with the provisions of the code, the directors and designated employees of the Corporation and their dependents have disclosed their dealings in the shares of the Corporation and have obtained prior approval of the Corporation for dealing in its securities in excess of the limits prescribed under the code. The disclosures include their dealings in securities of the Corporation, changes in their holding during the financial year and the position as at the end of the financial year. All directors and designated employees have confirmed that they have not taken positions in derivative transactions in the equity shares of the Corporation.

### Disclosures

#### Transactions with Non-Executive Directors

As at March 31, 2014, deposits held by non-executive directors in the Corporation amounted to ₹ 17.75 crore. The rate of interest and the terms and conditions of these deposits is the same as applicable to public deposits. The non-executive directors of the Corporation do not have any other pecuniary relationships or transactions with the Corporation or its directors, senior management, subsidiary or associate companies, other than in the normal course of business.

#### Related Party Transactions

There were no individual transactions with related parties, which were not in the ordinary course of business nor were there any transactions with related parties or others, which were not on an arm's length basis. Transactions with related parties entered into by the Corporation in the ordinary course of business were placed before the Audit Committee. Details of related party transactions entered into by the Corporation in the ordinary course of its business are included in the notes forming part of the financial statements.

Further, there were no financial or commercial transactions by the senior management with the Corporation where they have personal interests that may have a potential conflict with the interests of the Corporation at large.

### Accounting Standards

The Corporation has complied with the applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006. The financial statements for the year have been prepared in accordance with and in compliance of the revised Schedule VI notified by the Ministry of Corporate Affairs (MCA).

### Secretarial Standards

The Corporation has complied with the applicable Secretarial Standards notified by The Institute of Company Secretaries of India.



## Risk Management

With the objective of ensuring that the risks impacting the business of the Corporation are identified and appropriate measures are taken to mitigate the same, the Corporation has formulated and adopted a Risk Management Framework. The Risk Management Framework lays the procedures for identification of risks, assessment of its impact on the business of the Corporation and the efficacy of the measures taken to mitigate the same. The risks are evaluated at an inherent and residual level, based on the impact of such risks and the likelihood of its occurrence.

The regional managers and the functional heads of the Corporation are responsible for identifying, monitoring and reviewing the risk profile of their respective region/function on a quarterly basis. The Risk Management Committee (RMC) which comprises the Managing Director as the Chairperson, the Executive Director and some members of senior management, is responsible for ensuring that the appropriate methodology, processes and systems are in place for monitoring, identifying and reviewing the risks associated with the business of the Corporation. Twice during the year, the RMC apprised the board on the key risks associated with the business, its root causes and measures taken to mitigate the same.

## Proceeds from Private Placement Issues

During the year under review, the Corporation issued Secured Redeemable Non-Convertible Debentures of ₹ 10 lac each, aggregating to ₹ 24,269 crore on a private placement basis, in various tranches. The debentures have been assigned the highest rating of 'CRISIL AAA/Stable' and 'ICRA AAA/Stable' by CRISIL and ICRA respectively.

As specified in the respective offer documents, the funds were utilised for the purpose of on lending for housing finance. Details of these issues and the end use were provided to the Audit Committee and the board.

## Remuneration of Directors

### Non-Executive Directors

The remuneration package for non-executive directors consists of sitting fees and commission. The payment of the annual commission to the non-executive directors is based on the performance of the Corporation. The commission payable to the non-executive directors is approved by the board and is within the overall limits as approved by the shareholders of the Corporation.

For the year ended March 31, 2014, the non-executive directors, other than Mr. Deepak S. Parekh, will be paid an amount of ₹ 15 lac each as commission, pursuant to the approval of the board, which is within the overall limits as approved by the shareholders.

Mr. Deepak S. Parekh, Chairman, will be paid an amount of ₹ 1.80 crore as commission, pursuant to the approval of the Nomination & Compensation Committee, which is within the overall limits as approved by the shareholders.

### Shareholding of Directors

As at March 31, 2014, the shareholding of the non-executive directors in the Corporation was - Mr. Deepak S. Parekh: 22,00,000, Mr. B. S. Mehta: 4,35,000, Mr. D. M. Sukthankar: 2,31,100, Mr. D. N. Ghosh: 1,72,935, Dr. S. A. Dave: 3,60,215, Dr. Ram S. Tarneja: 4,57,500, Mr. Nasser Munjee: 19,600, Dr. Bimal Jalan: 15,000 and Dr. J. J. Irani: 50,000.

### Executive Directors

The executive directors of the Corporation have been appointed on a contractual basis, in terms of the resolutions passed by the shareholders at the AGMs, for a tenure of up to 5 years. The elements of the remuneration package of executive directors comprise salary, perquisites (equivalent to their respective annual salary), other benefits and allowances which include use of the Corporation's car with a driver, telephones for the Corporation's business (expenses whereof would be borne and paid by the Corporation), house maintenance allowance, house rent allowance, leave travel allowance, contributions to provident funds, superannuation funds and provision towards post-retirement pension schemes of the Corporation, other post-retirement benefits in the form of medical benefits and use of the Corporation's car as per the schemes framed and/or to be framed by the Corporation and as approved by the board/ Nomination & Compensation Committee, from time to time and all other benefits as are provided to the whole-time

directors or senior employees of the Corporation and commission which is decided by the Nomination & Compensation Committee within the overall limits as approved by the shareholders at the AGMs.

The annual increments of the executive directors are linked to their performance and are decided by the Nomination & Compensation Committee. Service contracts and the notice period are as per the terms of agreement entered into by each whole-time director with the Corporation.

The details of remuneration paid/payable to the whole time directors for the year under review, are detailed as under:

Name	Salary (₹)	Perquisites, other allowances & retirement benefits (₹)	Commission payable 2013-14 (₹)	Total (₹)	Present term expires on
Mr. Keki M. Mistry	1,60,65,000	1,71,61,243	4,45,50,000	7,77,76,243	November 13, 2015
Ms. Renu Sud Karnad	1,46,85,000	1,62,84,159	4,06,50,000	7,16,19,159	December 31, 2014*
Mr. V. Srinivasa Rangan	93,45,000	1,01,24,302	2,59,50,000	4,54,19,302	December 31, 2014*

\* Proposed to be re-appointed for a period of 5 years at the ensuing AGM.

## Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of the Directors' Report.

## Shareholders

The Corporation has over 1,82,000 shareholders as on March 31, 2014. The main channel of communication to the shareholders is through the annual report which *inter alia* includes the Chairman's Statement, the Directors' Report, the Report of the Board of Directors on Corporate Governance, Management Discussion and Analysis Report, the Auditors' Report, the Consolidated Group Accounts with the Auditors' Report, Business Responsibility Report, Social Initiatives and Shareholders' Information.

The AGM is the principal forum for interaction with shareholders, where the board answers specific queries raised by shareholders. The board acknowledges its responsibility towards its shareholders and therefore encourages open and active dialogue with all its shareholders – be it individuals, domestic institutional investors or foreign investors.

The Corporation communicates with its institutional shareholders through meetings with analysts and discussions between fund managers and management. The Corporation also participates at investor conferences from time to time. The presentation made to analysts and fund managers is uploaded on the Corporation's website, [www.hdfc.com](http://www.hdfc.com).

Regular communication with shareholders ensures that the Corporation's strategy is being clearly understood. Details relating to quarterly performance and financial results are disseminated to the shareholders through press releases and uploaded on the Corporation's website. The financial results are published in leading publications such as Business Standard, Business Line and Navshakti. The Corporation also communicates the quarterly financial results by e-mail to shareholders who have registered their e-mail address either with the Corporation or their Depository Participants.

To expedite the process of share transfers, the board has delegated the power of share transfers to the Investor Services Committee, comprising the company secretary and senior officers of the Secretarial Department. The said committee attends to the share transfer formalities on a weekly basis.

A brief profile of the directors to be appointed/re-appointed at the 37<sup>th</sup> AGM is provided as an annex to the notice convening the said AGM. A section on "Shareholders' Information" with information as required under Clause 49 of the listing agreements is provided elsewhere in the annual report.

The management statement on the integrity and fair presentation of the financial statements is provided as a part of the annual report in the Management Discussion and Analysis Report.

## Annual General Meetings (AGM)

The details of the last three AGMs are given below. All the AGMs were held at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.

Financial Year	Meeting	Date	Time	Number of Special Resolutions passed	Brief particulars of Special Resolutions
2010-11	34 <sup>th</sup> AGM	July 8, 2011	3.00 p.m.	1	Authority to grant stock options to eligible employees and directors of the Corporation under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
2011-12	35 <sup>th</sup> AGM	July 11, 2012	3.00 p.m.	1	Increase in the shareholding limit for Foreign Institutional Investors to 100% under the Portfolio Investment Scheme.
2012-13	36 <sup>th</sup> AGM	July 19, 2013	3.00 p.m.	-	-

At the last AGM, shareholders of the Corporation holding in the aggregate 59.24% of the total issued and paid up equity share capital had attended either in person or by proxy or through corporate representations as provided under Section 187 of the Companies Act, 1956.

No special resolution has been passed during the year under review. One resolution relating to creation of charge on the assets of the Corporation under the provisions of Section 180(1)(a) of the Companies Act, 2013 is proposed to be passed through postal ballot. The detailed procedure for postal ballot is included in the notes to the postal ballot notice.

## Compliance

The Corporation has complied with the mandatory requirements as stipulated under Clause 49 of the listing agreements. The Corporation has submitted the quarterly compliance report on corporate governance to the stock exchanges within the prescribed time limit.

Messrs N. L. Bhatia & Associates, practising company secretaries, have certified that the Corporation has complied with the mandatory requirements as stipulated under Clause 49 VII of the listing agreements. The said certificate is annexed to the Directors' Report and will be submitted to the stock exchanges and the MCA along with the annual report.

## Non-Mandatory Requirements

The board has constituted a Nomination & Compensation Committee solely comprising independent directors. The detailed terms of reference and other information pertaining to the committee are provided elsewhere in this report.

The quarterly financial results of the Corporation are extensively published in leading financial newspapers, uploaded on the Corporation's website and sent by e-mail to those shareholders who have registered their e-mail addresses with their Depository Participants/the Corporation.

The Corporation maintains the office of the Chairman and reimburses expenses incurred in performance of his duties.

The Corporation has always had a regime of unqualified financial statements.

The Board of Directors are well versed with the business of the Corporation and are also updated on current information required to discharge their fiduciary responsibilities.

The Corporation has joined the 'Corporate Whistleblower Initiative', a third party web-based reporting initiative which provides employees with a platform to communicate to the management, concerns about unethical behaviour, actual or suspected fraud or violation of the Corporation's code of conduct or ethics policy, in a secure and confidential manner. The setting of the said mechanism has been widely communicated to all employees of the Corporation and the management has taken appropriate steps to protect the whistle blowers from prejudicial employment practices.

**Certification of Financial Reporting and Internal Controls**

In accordance with Clause 49 V of the listing agreements, a certificate confirming the correctness of the financial statements, adequacy of internal control measures and matters to be reported to the Audit Committee was taken on record at the board meeting convened for approval of the audited financial results of the Corporation for the year under review.

**Companies Act, 2013**

In terms of the provisions of the Companies Act, 2013, Mr. D. M. Sukthankar is not an independent director of the Corporation, with effect from April 1, 2014.

The Board at its meeting held on May 6, 2014, reviewed and approved the revised terms of reference of the Audit Committee, Nomination & Compensation Committee and Investor Relations & Grievance Committee so as to align the same with the relevant provisions of the Companies Act, 2013, the rules made there under and revised Clause 49 of the listing agreements relating to corporate governance. The board also approved the changes in the nomenclature of the Nomination & Compensation Committee to Nomination & Remuneration Committee and Investor Relations & Grievance Committee to Stakeholders Relationship Committee.

**Going Concern**

The board is satisfied that the Corporation has adequate resources to continue its business for the foreseeable future and consequently considers it appropriate to adopt the going concern basis in preparing the financial statements.

On behalf of the Board of Directors

MUMBAI  
May 6, 2014

DEEPAK S. PAREKH  
Chairman

I confirm that for the year under review, all directors and senior management have affirmed their adherence to the provisions of the Code of Conduct.

MUMBAI  
May 6, 2014

KEKI M. MISTRY  
Vice Chairman & CEO

## Compliance Certificate on Corporate Governance

TO THE MEMBERS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

We have examined the compliance of conditions of corporate governance by HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED ("the Corporation") for the year ended 31<sup>st</sup> March, 2014, as stipulated in Clause 49 of the Listing Agreements of the said Corporation with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Corporation for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Corporation.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Corporation has complied with the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreements.

We further state that such compliance is neither an assurance as to the future viability of the Corporation nor the efficiency or effectiveness with which the Management has conducted the affairs of the Corporation.

For N. L. Bhatia & Associates  
Company Secretaries

MUMBAI  
May 6, 2014

N. L. Bhatia  
FCS - 1176  
CP No.: 422



### Review of the Chairman of the Audit Committee of Directors

The Audit Committee of Directors comprises three independent directors. All the members of the committee are financially literate and have the requisite management expertise in the fields of finance and accounts. The constitution and the terms of reference of the committee are in accordance with the relevant provisions of the Companies Act, 1956 and Clause 49 of the listing agreements. During the year under review, the committee met six times viz. May 8, 2013, July 19, 2013, October 21, 2013, December 17, 2013, January 22, 2014 and March 26, 2014.

The committee also met on May 6, 2014 to *inter alia* review the audited annual financial results of the Corporation and the audited consolidated financial results for the year ended March 31, 2014, and recommended the same to the board for its approval.

The committee, discussed and reviewed with the statutory auditors of the Corporation, the key highlights of the limited review of un-audited financial results (stand alone) and the un-audited consolidated financial results of the Corporation for the quarters ended June 30, 2013, September 30, 2013 and December 31, 2013, the scope of such review, management judgments, estimates and representations, significant related party transactions and other matters concerning the said financial results. The committee thereafter also reviewed the said results with the management and recommended the same to the board for its approval.

The committee reviewed the Corporation's financial reporting process and disclosures of its financial information to ensure that the financial statements were correct, sufficient and credible and reviewed with the management, *inter alia* the annual financial statements before submission to the board for its approval with specific reference to matters required to be included in the directors responsibility statements, in terms of Section 217 (2AA) of the Companies Act, 1956, compliance with listing agreements and other legal requirements relating to financial statements and disclosure in respect of related party transactions. The committee also noted that there are no changes to the accounting policies and that no adjustments were made in the financial year arising out of audit findings.

The committee also reviewed the summary of the reports submitted by the internal auditors and the statutory auditors of the Corporation in respect of all the branches of the Corporation, including but not limited to compliances under KYC norms as applicable to the Corporation as well as adequacy of systems and procedures of internal control and ensured that adequate follow-up action was taken by the management on the observations and recommendations made by the said auditors.

The committee reviewed the adequacy of the internal audit function, the reporting structure, coverage and frequency of internal audit, the implementation of audit procedures and techniques, the financial reporting systems, management discussion and analysis report, statement of related party transactions, statement of uses/application of funds raised by issuance of debt securities on a private placement basis, financial statements and investments made by the unlisted subsidiary companies of the Corporation, foreign currency and derivatives position of the Corporation, management of assets and liabilities by the Corporation and the performance of the loan portfolio. The committee also reviewed the investment policy of the unlisted subsidiary companies of the Corporation.

The committee also noted that there was no instance of internal investigation by the internal auditors into matters where there was a suspected fraud or irregularity or failure of internal control system of a material nature or any instance of default in payments to depositors, debenture holders, shareholders or creditors.

The committee also discussed and reviewed with the statutory auditors, the scope of their audit for the financial year 2014-15, before the commencement of the said audit. The committee also had a discussion with the said auditors to ascertain any area of concern after the audit for the year 2013-14.

The committee also approved/ratified the payments made to the statutory auditors of the Corporation for other services rendered by them during the financial year 2013-14.

The committee also noted the performance of the internal auditors and the status of internal audit assignments undertaken by each firm for the financial year 2013-14. The committee also approved the re-appointment of the internal auditors for its branches in India for the financial year 2013-14 and remuneration thereon.

The committee reviewed the performance of Messrs Deloitte Haskins & Sells LLP, Chartered Accountants and Messrs PKF, Chartered Accountants with the management and recommended to the board their appointment as statutory auditors of the Corporation for the purpose of audit of the Corporation's accounts at the head office, its branches in India and offices at London and Singapore and as branch auditors of the Dubai branch of the Corporation, respectively for a period of one term of 3 consecutive years and to hold office as such from the conclusion of the 37<sup>th</sup> Annual General Meeting until the conclusion of the 40<sup>th</sup> Annual General Meeting of the Corporation, as also their remuneration towards the same.

Dr. S. A. Dave

Chairman

Audit Committee of Directors

MUMBAI

May 6, 2014

### Review of the Chairman of the Investor Relations & Grievance Committee of Directors

The Investor Relations & Grievance Committee of Directors comprises three directors, majority of them being independent. The constitution and terms of reference of the committee are in accordance with the relevant provisions of Clause 49 of the listing agreements relating to corporate governance. During the year under review, the committee met four times viz. April 15, 2013, July 12, 2013, October 14, 2013 and January 15, 2014. The committee also met on April 22, 2014 to *inter alia* review the status of compliances relating to the Secretarial Department of the Corporation for the financial year ended March 31, 2014.

During the year, the committee *inter alia* reviewed the activities of the Investor Services Department of the Corporation (ISD), the mechanisms adopted by it to receive and redress investor complaints, the initiatives taken by it to reduce the quantum of unclaimed dividends and encourage conversion of physical shareholding into electronic form.

During the year, the committee also *inter alia* reviewed and noted the revised standard operating procedures formulated and adopted by the ISD in respect of the various services rendered by the Corporation to its investors, the status of compliance with applicable corporate and securities laws, the risk profile of the Secretarial Department of the Corporation and the efficacy of the mitigation measures, the status of litigations filed by/against the shareholders/depositors of the Corporation and claims lodged in respect of unclaimed shares.

The committee also reviewed the half-yearly compliance certificates as on September 30, 2013 and March 31, 2014, in respect of the activities of the ISD as a Category II Registrar & Share Transfer Agent (RTA) and recommended the same to the Board of Directors for its approval and onward submission to the Securities and Exchange Board of India (SEBI), in terms of Circular No. CIR/MIRSP/7/2012 dated July 5, 2012, issued by SEBI.

During the year, the committee also reviewed the compliance relating to uploading of details of unclaimed dividends/ deposits on the website of the Investor Education & Protection Fund (IEPF) i.e., [www.iepf.gov.in](http://www.iepf.gov.in) and on the website of the Corporation i.e., [www.hdfc.com](http://www.hdfc.com), in terms of the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012.

The committee also reviewed and approved the amendments to the KYC & AML Policy relating to the securities of the Corporation.

The committee also noted the impact of the relevant provisions of the Companies Act, 2013 and the rules made there under and the revised terms of reference of the committee.

The committee also noted the Secretarial Audit Report issued by M/s. N. L. Bhatia & Associates, Practicing Company Secretaries, Mumbai and expressed its satisfaction over the systems and procedures adopted by the Corporation to service its investors.

Dr. Ram S. Tarneja

Chairman

MUMBAI

May 6, 2014

Investor Relations & Grievance Committee of Directors

### Review of the Chairman of the Nomination & Compensation Committee of Directors

The terms of reference of the committee *inter alia* include reviewing and approving the remuneration payable to the whole-time directors of the Corporation within the overall limits as approved by the shareholders, commission payable to the Chairman of the Corporation and formulation and administration of employee stock option schemes of the Corporation. It also includes identifying persons who could become directors of the Corporation, recommending their appointment to the board and ensuring that such persons meet the relevant criteria prescribed under applicable laws.

During the year under review, the committee met three times viz. May 8, 2013, October 21, 2013 and March 26, 2014. The committee reviewed the performance of the whole-time directors of the Corporation and approved the yearly revision in the remuneration payable to them. The committee also approved the payment of commission to the Chairman of the Corporation, within the overall limits as approved by the shareholders.

During the year, pursuant to the resignation of Mr. Keshub Mahindra and Mr. Shirish B. Patel as directors of the Corporation, the committee was re-constituted to comprise Mr. B. S. Mehta, Mr. Nasser Munjee and Dr. J. J. Irani, independent directors.

The committee at its meeting held on May 6, 2014, recommended to the board, the re-appointment of Ms. Renu Sud Karnad as the Managing Director and Mr. V. Srinivasa Rangan as the Executive Director of the Corporation, for a period of 5 years, with effect from January 1, 2015, subject to the approval of the shareholders at the ensuing Annual General Meeting (AGM).

Further, at the said meeting, the committee recommended the issue of stock options in respect of 3,12,10,650 equity shares of ₹ 2 each, for the approval of the shareholders at the ensuing AGM.

B. S. Mehta

Chairman

MUMBAI

May 6, 2014

Nomination & Compensation Committee of Directors

## Management Discussion and Analysis Report

### Macroeconomic Overview

During the year under review, India's GDP is estimated to grow by less than 5% for the second consecutive year. The slowdown in GDP was primarily attributed to a de-growth in the industrial sector and a slowdown in the investment cycle. Fortunately, due to a good monsoon, agricultural growth was stronger.

The initial announcement by the US Federal Reserve on reducing the pace of its monthly bond purchase programme had an adverse impact on India, as was the case with many emerging markets in terms of capital outflows and sharp currency depreciations. However, the Reserve Bank of India (RBI) and the government undertook exceptional measures including monetary tightening, opening a special concessional swap window to attract FCNR (B) deposits and containing gold imports. Some of these measures have since rolled back in a calibrated manner. Despite intermittent global turmoil, Foreign Institutional Investors invested USD 20 billion in the Indian equity markets in calendar year 2013.

By the end of FY 2014, the Indian economy was on a sounder footing compared to many other emerging markets. The fiscal and current account deficit was reined in, foreign exchange reserves increased, the rupee clawed back from its all-time low seen in August 2013 and the wholesale price index inflation stood at 5.7% for March 2014.

### Market Scenario

Despite the overall slowdown in the economy, the demand for individual home loans continued to remain robust, predominantly on account of rising disposable incomes,

improved affordability and fiscal incentives on home loans. Given the immense shortage of housing, rapid urbanisation and low mortgage penetration, the demand for home loans is likely to remain strong.

Demand for commercial real estate remained fairly muted, reflective of the overall state of the economy. Thus, some cities in India had an oversupply of commercial real estate due to lower absorption levels.

### Interest Rate Scenario

After cutting the policy repo rate by 25 basis points in May 2013, the RBI increased the repo rate by 75 basis points in three phases during the latter part of the year to contain inflationary expectations. Keeping in mind the Corporation's cost of funds and the need to maintain spreads, the Corporation reviewed its Corporate Prime Lending Rate (CPLR) for non-individual loans and its Retail Prime Lending Rate (RPLR) during the year.

### Lending Operations

Loan approvals during the year were ₹ 1,15,212 crore as compared to ₹ 1,03,260 crore in the previous year. Loan disbursements were ₹ 92,455 crore as against ₹ 82,452 crore in the previous year.

Cumulative loan approvals and disbursements as at March 31, 2014 were ₹ 6,81,872 crore and ₹ 5,48,553 crore respectively. This is in respect of over 4.7 million housing units.

The average size of individual loans stood at ₹ 22.1 lac as compared to ₹ 21.6 lac in the previous year.

### Assignment/Sale of Loans

The Corporation, under the loan assignment route sold individual

loans amounting to ₹ 5,556 crore to HDFC Bank pursuant to the buyback option embedded in the home loan arrangement between the Corporation and HDFC Bank. In addition, the Corporation sold individual loans to other banks through the assignment/securitisation route amounting to ₹ 1,388 crore. The total amount of loans sold during the year stood at ₹ 6,944 crore.

As at March 31, 2014, total loans outstanding in respect of loans sold/assigned stood at ₹ 20,663 crore (inclusive of ₹ 185 crore of non-individual loans). HDFC continues to service these loans and is entitled to the residual interest on the loans sold/assigned.

The residual interest on the individual loans sold/assigned is 1.32% per annum. The residual income on these loans is being recognised over the life of the underlying loans, and not on an upfront basis. Issues through which loans have been sold/assigned which were rated by external rating agencies carry a rating indicating the highest degree of safety.

### Loan Portfolio

The loan approval process of HDFC is decentralised, with varying approval limits. In light of the growth in business and to streamline the approval process, the approval limits for non-individual loans were recalibrated during the year. HDFC has a three tiered committee of management structure with varying approval limits. Larger proposals, as appropriate, are referred to the Board of Directors.

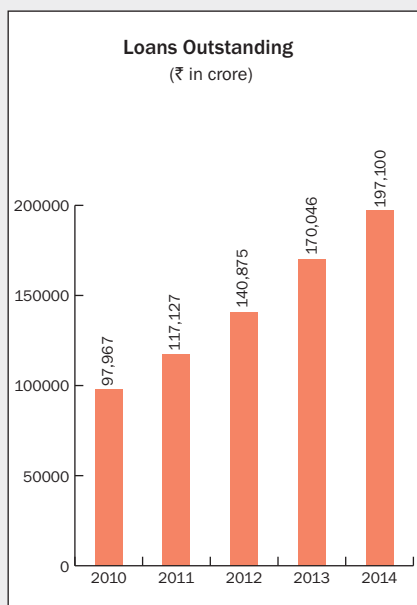
During the year, HDFC's loan book increased to ₹ 1,97,100 crore from ₹ 1,70,046 crore in the previous year. In addition, loans securitised and/or assigned by the Corporation and

outstanding as at March 31, 2014 amounted to ₹ 20,663 crore.

The net increase in the loan book (after removing loans that have been securitised) of ₹ 27,054 crore has been determined after taking into account loan repayments of ₹ 58,410 crore (previous year ₹ 48,089 crore) and loans written off during the year amounting to ₹ 46.17 crore (previous year ₹ 16.61 crore).

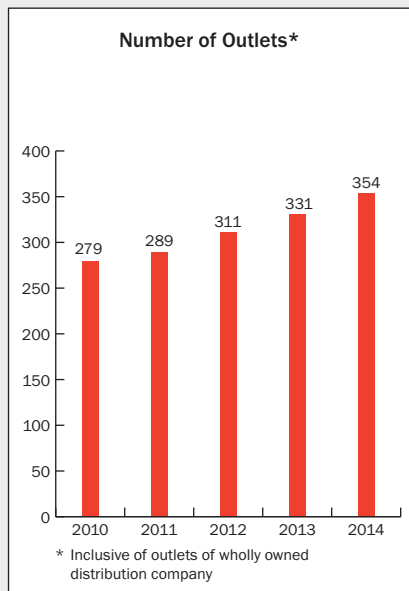
The growth in the individual loan book, after adding back loans sold in the preceding 12 months was 26% (20% net of loans sold). Due to the economic slowdown and increased risks in non-individual lending, this portfolio grew by 9%. The growth in the total loan book after adding back loans sold was 20% (16% net of loans sold).

Of the total loan book, individual loans comprise 71%. Further, 85% of the incremental growth in the loan book during the year came from individual loans.



## Marketing and Distribution

HDFC's distribution network spans 354 outlets, which include 87 offices of the wholly owned distribution company, HDFC Sales Private Limited (HSPL). In addition, HDFC covers several locations through outreach programmes.



Total loans sourced from distribution channels such as HSPL, HDFC Bank and third party direct selling associates during the year accounted for 88% of individual loans disbursed by HDFC in value terms. The commission paid to the agents in respect of loans retained by the Corporation is charged to the profit and loss account upfront and is not amortised over the life of the loan. The total commission payable to distribution channels amounting to ₹ 306 crore has been charged to the statement of profit and loss against fee income.

## Investments

The Investment Committee constituted by the Board of Directors is responsible for approving investment proposals in

line with the limits as set out by the Board of Directors.

The investment function supports the core business of housing finance. The investment mandate includes ensuring adequate levels of liquidity to support core business requirements, maintaining a high degree of safety and optimising the level of returns, consistent with acceptable levels of risk.

As at March 31, 2014, the investment portfolio stood at ₹ 13,913 crore. The proportion of investments to total assets was 6%.

Housing Finance Companies (HFCs) are required to maintain a statutory liquidity ratio (SLR) in respect of public deposits raised. Currently the SLR requirement is 12.5% of public deposits. As at March 31, 2014, HDFC had ₹ 2,063 crore in bank deposits and National Housing Bank (NHB) bonds and ₹ 3,540 crore in government securities.

As at March 31, 2014, the treasury portfolio (excluding investments in equity shares) had an average balance period to maturity of 34 months. The average yield on the non-equity portfolio for the year was 10.61% per annum on an annualised basis.

HDFC has classified its investments into current and long-term investments. The current investments have been entirely 'marked to market'. In respect of long-term investments, provisions have been made to reflect any permanent diminution in the value of investments. The aggregate provision on account of such current and long-term investments amounts to ₹ 81.87 crore. After considering the opening balance of ₹ 70.62 crore in the diminution in the value

of investments account, and the write back of provisions on account of investments sold, a provision of ₹ 11.25 crore has been made for diminution in value of investments through a debit to the provision for contingencies in the statement of profit and loss account.

As at March 31, 2014, the market value of quoted investments was higher by ₹ 38,213 crore as compared to the value at which these investments are reflected in the balance sheet. This unrealised gain includes appreciation in the market value of investments held by HDFC's wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited. It, however, excludes the unrealised gains on the unlisted investments.

### Subsidiaries and Associates

Though housing remains the core business, HDFC has continued to make investments in its subsidiary and associate companies. These investments are made in companies where there are strong synergies with HDFC. HDFC will continue to explore avenues for such investments with the objective of providing a wide range of financial services and products under the HDFC brand name.

During the year, HDFC made gross investments in the equity share capital of its subsidiary companies – HDFC Education and Development Services Private Limited (₹ 5 crore) and HDFC ERGO (₹ 0.7 crore). In addition, during the year, an amount of ₹ 7 crore was invested as convertible preference shares in Credila Financial Services Private Limited.

HDFC as a unit holder of the units of HDFC Property Fund – Scheme HDFC IT Corridor Fund (a venture capital

fund), upon its closure, received equity shares of Grandeur Properties Private Limited, Winchester Properties Private Limited, Windermere Properties Private Limited, Haddock Properties Limited and Pentagram Properties Limited towards distribution against the units held by HDFC. As a result, these companies have become wholly owned subsidiaries of HDFC. The

accounts of these companies have been excluded from consolidation on principles of materiality. Further, HDFC proposes to monetise these investments in the near future.

The shareholding of HDFC (together with its nominees) in its subsidiary and key associate companies as at March 31, 2014 is as follows:

Company	Shareholding %
HDFC Developers Limited	100.0
HDFC Investments Limited	100.0
HDFC Holdings Limited	100.0
HDFC Trustee Company Limited	100.0
HDFC Realty Limited	100.0
HDFC Property Ventures Limited	100.0
HDFC Sales Private Limited	100.0
HDFC Ventures Trustee Company Limited	100.0
HDFC Education and Development Services Private Limited	100.0
H T Parekh Foundation	100.0
Credila Financial Services Private Limited <sup>^</sup>	89.5
HDFC Venture Capital Limited	80.5
HDFC ERGO General Insurance Company Limited	73.8
HDFC Standard Life Insurance Company Limited	72.4
HDFC Asset Management Company Limited	59.8
GRUH Finance Limited	59.2
HDFC Bank Limited*	22.6

<sup>^</sup> On a fully diluted basis

\* Inclusive of shareholding of HDFC Investments Limited and HDFC Holdings Limited

### Recoveries

An asset is a non-performing asset (NPA) if the interest or instalment is overdue for 90 days. Gross non-performing loans outstanding amounted to ₹ 1,357 crore as at March 31, 2014, constituting 0.69% of the portfolio. The principal outstanding in respect of individual loans where the instalments were in arrears constituted 0.53% of the individual portfolio and the corresponding figure was 1.01% in respect of the non-individual portfolio. HDFC has written off loans aggregating to ₹ 46.17 crore during

the year. These loans have been written off pursuant to one-time settlements, where HDFC will continue making efforts to recover the money. HDFC has, since inception, written off loans (net of subsequent recovery) aggregating to ₹ 198 crore. Thus as at March 31, 2014, the total loan write offs continues to stand at less than 4 basis points of cumulative disbursements since inception of the Corporation.

### Provision for Contingencies

During the year, the Corporation made a provision for contingencies of ₹ 100 crore (previous year ₹ 145 crore)



through a debit to the profit and loss account. This provision was mainly in respect of standard assets consequent to the change in the provisioning norms for standard assets.

As per NHB norms, the Corporation is required to carry a total provision of ₹ 1,460 crore.

During the year, HDFC has utilised ₹ 60.57 crore (net) out of the balance in provision for contingencies primarily on account of provision in diminution of value of investments and loan write offs. After taking into account the transfers as well as the net utilisation, the balance in provision for contingencies as at March 31, 2014 stood at ₹ 1,907 crore (inclusive of provision for non-performing loans of ₹ 546 crore). The balance in the provision for contingencies is equivalent to 0.96% of the loan portfolio.

### Fixed Assets

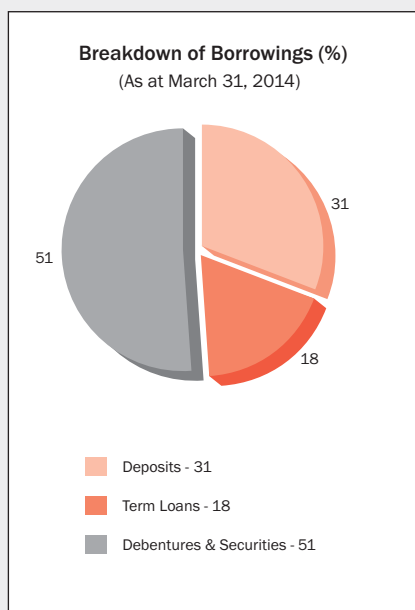
Net fixed assets as at March 31, 2014 amounted to ₹ 280.48 crore (previous year ₹ 237.94 crore).

### Subordinated Debt

As at March 31, 2014, the Corporation's outstanding subordinated debt stood at ₹ 3,475 crore. The debt is subordinated to present and future senior indebtedness of the Corporation and has been assigned the highest rating of 'CRISIL AAA/Stable' and 'ICRA AAA/Stable' by CRISIL and ICRA respectively. Based on the balance term to maturity, as at March 31, 2014, ₹ 2,790 crore of the book value of subordinated debt is considered as Tier II under the guidelines issued by the NHB for the purpose of capital adequacy computation. The Corporation did not issue any subordinated debt during the year.

### Borrowings

Borrowings as at March 31, 2014 amounted to ₹ 1,84,298 crore as against ₹ 1,58,828 crore in the previous year - an increase of 16%. Borrowings constituted 82% of funds employed as at March 31, 2014. Of the total borrowings, bonds and debentures constituted 51%, deposits 31% and term loans 18%.



### Foreign Currency Borrowings

The outstanding foreign currency borrowings constitute borrowings from FCNR (B) loans from domestic commercial banks (USD 381 million), Asian Development Bank under the Housing Finance Facility Project (USD 58 million) KfW of Germany (Euro 1.5 million) and External Commercial Borrowing (ECB) under RBI's Low Cost Affordable Housing Scheme (USD 300 million).

### External Commercial Borrowing (ECB)

During the year, the Corporation raised an ECB of USD 300 million in the form of a syndicated loan facility.

The ECB raised was under the low cost affordable housing scheme of the RBI. The Corporation was the first housing finance company to draw an ECB under this window.

The proceeds have to be utilised for financing prospective owners of low cost affordable housing units. As per the RBI norms, low cost affordable housing units have been defined as units where the property cost is up to ₹ 30 lac, the loan amount is capped at ₹ 25 lac and the carpet area does not exceed 60 square metres. The ECB is for a tenor of 5 years and the principal has been fully hedged in accordance with the guidelines prescribed by the RBI.

### Deposits

As at March 31, 2014, outstanding deposits stood at ₹ 56,578 crore. The depositor base stood at approximately 17.5 lac depositors. CRISIL and ICRA have for the nineteenth consecutive year, reaffirmed their 'CRISIL FAAA/Stable' and 'ICRA MAAA/Stable' ratings respectively for HDFC's deposits. These ratings represent the highest degree of safety regarding timely servicing of financial obligations and also carries the lowest credit risk.

HDFC pays brokerage to agents who mobilise retail deposits. The brokerage is linked to the amount and the period of deposit and is paid upfront for the full term of the deposit. In addition, agents who achieve certain collection targets are paid an incentive every year.

### Term Loans from Banks, Institutions and Refinance from NHB

As at March 31, 2014 the total loans outstanding from banks, institutions and NHB amounted to ₹ 32,952 crore as compared to ₹ 17,824 crore as at March 31, 2013.

**Non-Convertible Debentures (NCD)**

During the year, the Corporation issued NCD amounting to ₹ 24,269 crore on a private placement basis. The Corporation's NCD issues have been listed on the Wholesale Debt Market segment of the National Stock Exchange of India Limited (NSE) and the BSE Limited. The NCD issues have been assigned the highest rating of 'CRISIL AAA/Stable' and 'ICRA AAA/Stable'.

HDFC has made investments in shares of its subsidiaries and associate companies. Under Indian GAAP this results in a mismatch if the cost is debited to the Profit and Loss Account without a corresponding credit (credit being only in the form of dividend).

As indicated in the past, to offset this mismatch, the Corporation has raised Zero Coupon Debentures (ZCD). The premium on the ZCD is payable on the maturity of the ZCD. The proportionate premium on these ZCD for the year (net of deferred tax) amounting to ₹ 357.17 crore (previous year ₹ 438.04 crore) has been debited to the Securities Premium Account in accordance with Section 78 of the Companies Act. As at March 31, 2014, the outstanding ZCDs amounted to ₹ 5,390 crore as against an investment of ₹ 8,417 crore in subsidiaries and associate companies (including convertible preference shares).

**Financial Risk Management**

The Financial Risk Management and Hedging Policy as approved by the Audit Committee sets limits for exposures on currency and interest rates. HDFC manages its interest rate and currency risk in accordance with the guidelines prescribed. The

risk management strategy has been to protect against foreign exchange risk, whilst at the same time exploring any opportunities for an upside, so as to keep the maximum all-in cost on the borrowing in line with or lower than the cost of a borrowing in the domestic market for a similar maturity.

HDFC has to manage various risks associated with the lending business. These risks include credit risk, liquidity risk, foreign exchange risk and interest rate risk. HDFC manages credit risk through stringent credit norms. Liquidity risk and interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profiles.

HDFC has from time to time entered into risk management arrangements in order to hedge its exposure to foreign exchange and interest rate risks. The currency risk on the borrowings is actively hedged through a combination of dollar denominated assets, long term forward contracts, principal only swaps and currency options.

As at March 31, 2014, the Corporation had foreign currency borrowings of USD 741 million equivalent. The entire principal on the foreign currency borrowings has been fully hedged through the above-mentioned instruments. Hence as at March 31, 2014, the Corporation's foreign currency exposure on borrowings net of risk management arrangements is nil.

In addition, HDFC has entered into cross currency swaps of a notional amount of USD 409.49 million equivalent wherein it has converted its rupee liabilities into foreign currency liabilities and the interest

rate is linked to benchmarks of the respective currencies. The total net foreign currency exposure on cross currency swaps is USD 1.93 million. The open position is at 0.01% of the total borrowings of HDFC.

As a part of asset liability management and on account of the predominance of HDFC's Adjustable Rate Home Loan product as well as to reduce the overall cost of borrowings, HDFC has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities of a notional amount of ₹ 19,040 crore as at March 31, 2014 for varying maturities into floating rate liabilities linked to various benchmarks. Further, interest rate swaps on a notional amount of USD 83 million equivalent are outstanding and have been undertaken to hedge the interest rate risk on the foreign currency borrowings.

**Revaluation of Foreign Currency Assets and Liabilities**

Assets and liabilities in foreign currencies net of risk management arrangements are converted at the rates of exchange prevailing at the year end, where not covered by forward contracts. Wherever HDFC has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the exchange difference is being amortised over the life of the contract.

Cross currency interest rate swaps are recorded at the closing rate.

The net loss/gain on translation of long-term monetary assets and liabilities in foreign currencies is amortised over the maturity period of monetary assets and liabilities. The unamortised exchange difference is carried in the Balance Sheet as 'foreign currency monetary item

translation difference account'. The net loss/gain on translation of short-term monetary assets and liabilities in foreign currencies is recorded in the Statement of Profit and Loss.

As on March 31, 2014, an amount of ₹ 142.34 crore (net of future tax benefit of ₹ 48.38 crore) is carried forward in the foreign currency monetary item translation difference account. This amount is to be amortised over the period of the monetary assets/liabilities.

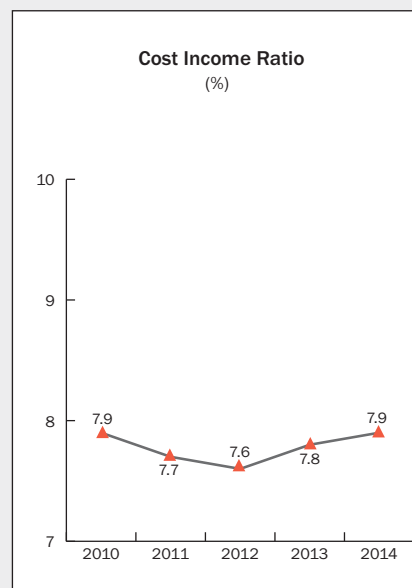
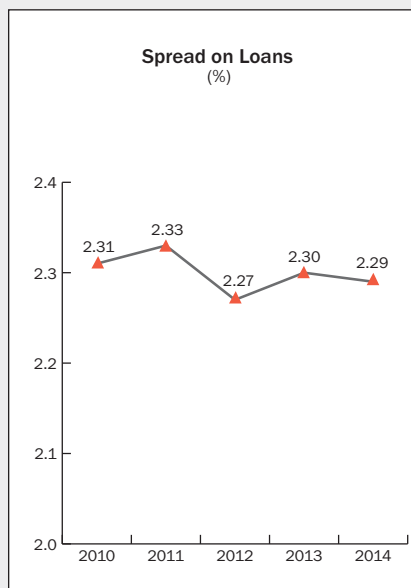
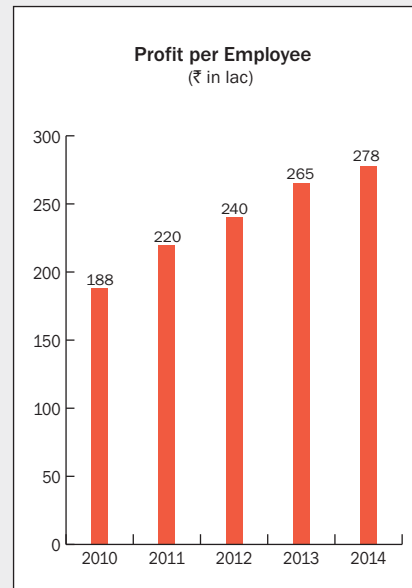
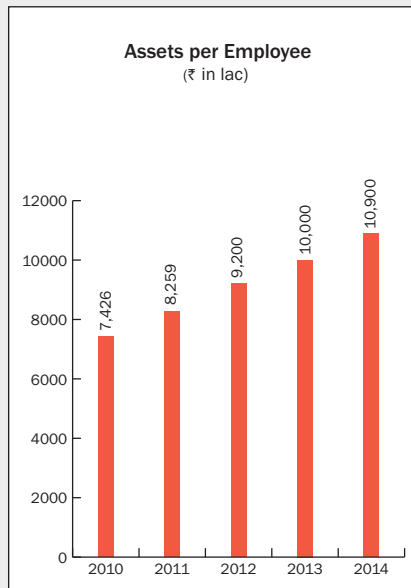
### Asset-Liability Management (ALM)

Under the Revised Schedule VI of the Companies Act, 1956, the classification of assets and liabilities into Current and Non-Current is based on their contracted maturities. However, the estimates based on past trends in respect of prepayments of loans, renewals of liabilities and liquid investments, which are in accordance with the ALM guidelines issued by NHB have not been taken into consideration while classifying the assets and liabilities in the revised Schedule VI.

The ALM position of HDFC in accordance with NHB guidelines is as under:

As at March 31, 2014, assets and liabilities with maturity up to 1 year amounted to ₹ 61,761 crore and ₹ 64,456 crore respectively. Asset and liabilities with maturity of between 2 years and 5 years amounted to ₹ 1,04,642 crore and ₹ 1,08,159 crore respectively and assets and liabilities with maturity beyond 5 years amounted to ₹ 59,354 crore and ₹ 53,142 crore respectively.

HDFC does not generally take an interest rate mismatch. HDFC's loan book is predominantly floating rates, whereas liabilities, especially deposits and NCDs are fixed rates. In normal



economic conditions, the fixed rate liabilities are converted into floating rate denominated liabilities by way of interest rate swaps. However during the current year due to inflationary conditions and an uncertain economic environment, short term rates remained higher than the long term rates throughout the year. This resulted in the cost of floating rate

liabilities post the interest rate swap being higher than fixed rate liabilities. For instance, a 10-year bond carrying a fixed rate of interest of 9.75% per annum when swapped into floating rate linked to a 1-year benchmark would result in a cost of 10.48% per annum on a floating rate basis. Hence the Corporation did not convert a part of its liabilities into floating

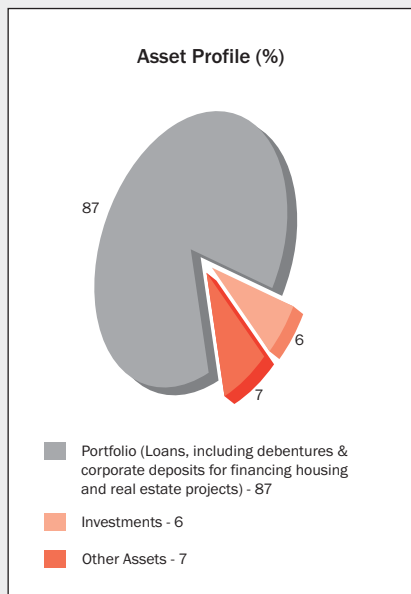
rate basis to avoid the negative carry. HDFC is monitoring the money market conditions and shall enter into interest rate swaps at an appropriate time to minimise the interest rate gap.

As at March 31, 2014, 87% of the assets and 74% of the liabilities were on a floating rate basis.

Further, HDFC has a Fixed Rate Home Loan Scheme and has kept some liabilities on a fixed rate basis to match out the expected disbursements under the fixed rate product.

### Internal Audit and Control

HDFC has instituted adequate internal control systems commensurate with the nature of its business and the size of its operations. Internal audit is carried out by independent firms of chartered accountants and cover all the offices and key areas of business. All significant audit observations and follow-up actions thereon are reported to the Audit Committee. The Audit Committee comprises three independent directors. The committee met six times during the financial year



under review.

### Statement of Profit and Loss Account

Key elements of the statement of profit and loss account for the year ended March 31, 2014 are:

- Profit before tax grew by 13% and profit after tax grew by 12%.
- Net Interest Income grew by 14% during the year.
- Net Interest Margin for the year was 4.1%.
- Income tax provision for the year amounted to ₹ 2,000 crore as compared to ₹ 1,725 crore in the previous year. The effective tax rate is 26.9% as compared to 26.2% in the previous year.
- Pre-tax return on average assets was 3.8% and the post-tax return on average assets was 2.7%.
- Return on equity is 20.6% in the current year.
- HDFC's cost to income ratio was 7.9% for the year ended March 31, 2014 as against 7.8% in the previous year. HDFC's cost

income ratio continues to be among the lowest in the financial sector in Asia.

- Administrative expenses, as a percentage of average assets stood at 0.30% as at March 31, 2014.
- For the year ended March 31, 2014, a dividend of ₹ 14 per share of ₹ 2 each is being recommended as against ₹ 12.50 per equity share in the previous year. HDFC would be paying the distribution tax and education cess on the dividend declared.
- The dividend payout ratio will be 47% as against 46.6% in the previous year.

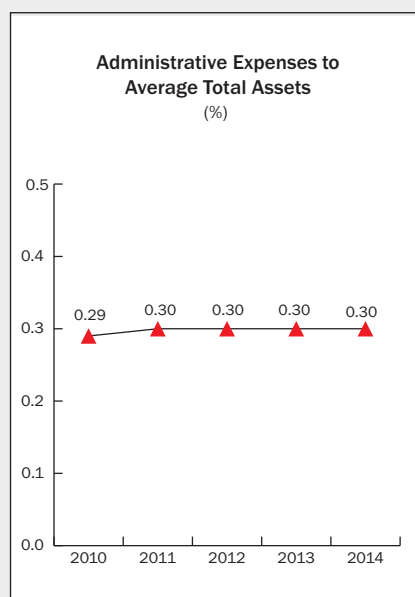
### Spread on Loans

The average yield on loan assets during the year was 11.78% per annum as compared to 11.98% per annum in the previous year. The average all-inclusive cost of funds was 9.49% per annum as compared to 9.68% per annum in the previous year. The spread on loans over the cost of borrowings for the year was 2.29% per annum as against 2.30% per annum in the previous year. Spread on individual loans for the year was 1.97% and on non individual loans was 2.95%.

### Capital Adequacy Ratio

As per the regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 12% and 6% respectively on the risk weighted assets.

As at March 31, 2014, the risk weighted assets stood at around ₹ 1,67,600 crore. HDFC's capital adequacy ratio, without reducing the investment in HDFC Bank from Tier



I capital, while treating it as a 100% risk weight stood at 17.9% of the risk weighted assets, of which Tier I capital was 15.4% and Tier II capital was 2.5%. The capital adequacy ratio after reducing the investment in HDFC Bank from Tier I capital stood at 14.6%, of which Tier I capital was 12.1% and Tier II capital was 2.5%.

### Prudential Norms for Housing Finance Companies (HFCs)

NHB has issued guidelines to HFCs on prudential norms for income recognition, provisioning norms, asset classification, capital adequacy and concentration of credit/investments and capital market exposure norms. HDFC is in compliance with the prudential norms.

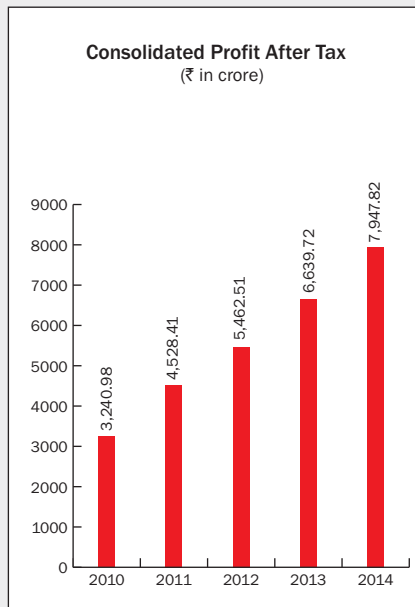
### Human Resources

Human resources are HDFC's most valuable assets. The efficiency of HDFC's staff is evident from the fact that the number of offices increased from 41 in 1998 to 267 (excluding offices of HSPL) currently as against the number of employees which increased from 806 to 1,956 during the same period.

Total assets per employee as at March 31, 2014 stood at ₹ 109 crore as compared to ₹ 100 crore in the previous year and net profit per employee as at March 31, 2014 was ₹ 2.8 crore as compared to ₹ 2.7 crore in the previous year.

### Audited Consolidated Accounts

In accordance with the accounting standards prescribed by the Institute of Chartered Accountants of India, the consolidated financial statements comprise the individual financial statements of the Corporation together with its subsidiaries which



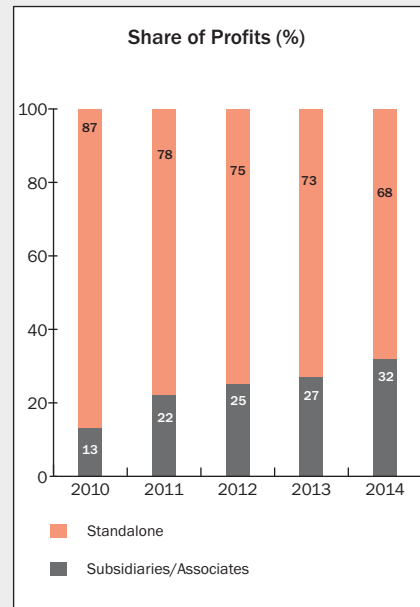
are consolidated on a line-by-line basis and its associates which are accounted on the equity method.

On a consolidated basis for the year ended March 31, 2014 the profit before tax was ₹ 8,845.85 crore as compared to ₹ 7,467.28 crore in the previous year representing a growth of 18%.

After providing ₹ 2,358.34 crore (previous year ₹ 2,002.03 crore) for tax, the profit for the year was ₹ 6,487.51 crore as compared to ₹ 5,465.25 crore in the previous year representing a growth of 19%.

After adjusting for share of profit of minority interest ₹ 454.89 crore (previous year ₹ 341.80 crore) and for net share of profit from associates ₹ 1,915.20 crore (previous year ₹ 1,516.27 crore), the profit after tax attributable to the group was ₹ 7,947.82 crore as compared to ₹ 6,639.72 crore in the previous year representing a growth of 20%.

The consolidated profit after tax for the year ended March 31, 2014 does



not consider the charge in respect of the redemption premium on Zero Coupon Debentures amounting to ₹ 357.17 crore (net of tax) (Previous Year ₹ 438.04 crore).

Had the aforesaid adjustment been considered, the profit after tax for the year ended March 31, 2014 would have been ₹ 7,590.65 crore compared to ₹ 6,201.68 crore for the previous year representing an increase of 22%.

### Analysis of Profits

The increase in the consolidated profit after tax for the year ended March 31, 2014 by 20% over the previous year is attributed to the increase in profits of the Corporation, HDFC Bank and also due to the improved financial performance of both, HDFC Standard Life Insurance Company Limited (HDFC Life) and HDFC ERGO General Insurance Company Limited (HDFC ERGO).

For the year ended March 31, 2014, HDFC Bank's (consolidated) profit



after tax stood at ₹ 8,743.49 crore as against ₹ 6,869.64 crore in the previous year, representing an increase of 27%.

HDFC Life has reported a profit after tax of ₹ 725.28 crore for the year ended March 31, 2014 as against ₹ 451.48 crore in the previous year, representing a growth of 61%. The back book is generating sufficient profits to offset the new business strain incurred in writing of new policies. During the year, the Corporation received dividend of ₹ 72.19 crore from HDFC Life.

HDFC Asset Management has reported a profit after tax of ₹ 357.77 crore for the year ended March 31, 2014 as against ₹ 318.75 crore in the previous year – growth of 12%. During the year, the Corporation received dividend of ₹ 75.48 crore from HDFC Asset Management.

HDFC ERGO reported a profit after tax for the year stood at ₹ 195.41 crore as against a profit of ₹ 154.49 crore in the previous year – a growth of 26%. During the year, the Corporation received dividend of ₹ 19.54 crore from HDFC ERGO.

GRUH Finance Limited has reported a profit of ₹ 176.96 crore for the year ended March 31, 2014 as against ₹ 145.88 crore in the previous year – growth of 21%. During the year, the Corporation received dividend of ₹ 26.63 crore from GRUH Finance Limited.

#### Share of Profits

The standalone HDFC profit after tax increased from ₹ 4,848.34 crore in the previous year to ₹ 5,440.24 crore in the year ended March 31, 2014 – an increase of 12%. The other group entities have reported a consolidated profit of ₹ 2,507.58 crore for the year

ended March 31, 2014 as against ₹ 1,791.38 crore in the previous year – an increase of 40%.

The profit after tax attributable to the group was ₹ 7,947.82 crore as compared to ₹ 6,639.72 crore in the previous year representing a growth of 20%.

For the year ended March 31, 2014, the share of the profit from subsidiaries and associates in the consolidated profit after tax grew from 27% to 32% in the current year.

The post tax return on assets for the consolidated group accounts for the year ended March 31, 2014 was 2.9% and the return on equity was 22%. The basic and diluted earnings per share (on a face value of ₹ 2 per share) for the group was ₹ 51.01 and ₹ 50.61 respectively.

## STANDALONE FINANCIAL STATEMENTS

### Independent Auditors' Report

TO THE MEMBERS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED ("the Corporation"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Corporation's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and

the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Corporation as at March 31, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit of the Corporation for the year ended on that date; and

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

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the

Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

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

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

(b) In our opinion, proper books of account as required by law have been kept by the Corporation so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from Dubai branch which has been audited by other auditor, not visited by us.

(c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from Dubai branch which has been audited by other auditor, not visited by us.

(d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs).

(e) On the basis of the written representations received from the directors as on March 31, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

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

MUMBAI,  
6th May, 2014  
Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 39826)

## Annexure to the Independent Auditors' Report

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

(i) Having regard to the nature of the Corporation's business / activities / results / transactions during the year, clauses (ii), (viii), (x) and (xiii) of paragraph 4 of the Order are not applicable to the Corporation.

(ii) In respect of its fixed assets:

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

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

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

(iii) In respect of loans, secured or unsecured, granted by the Corporation to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act 1956, according to the information and explanations given to us:

(a) The Corporation has granted loans to eleven parties. At the year-end, the outstanding balances of such loans granted aggregated ₹ 646.53 crore (number of parties - seven) and the maximum

amount involved during the year was ₹ 1,076.67 crore (number of parties - eleven).

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interest of the Corporation.

(c) The receipts of principal amounts and interest have been regular/as per stipulations.

(iv) In respect of loans, secured or unsecured, taken by the Corporation from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Corporation has taken loans from fifty one parties. At the year-end, the outstanding balances of such loans taken aggregated ₹ 2,864.27 crore (number of parties - forty two) and the maximum amount involved during the year was ₹ 3,725.30 crore (number of parties - fifty one).

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interest of the Corporation.

(c) The payments of principal amounts and interest in respect of such loans are regular/as per stipulations.

(v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Corporation and the nature of its business for the purchase of fixed assets and for the sale of services and during the course of our audit

we have not observed any major weakness in such internal control system.

(vi) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements [excluding items reported under paragraph (iii) and (iv) above] that needed to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.

(vii) In our opinion and according to the information and explanations given to us, the Corporation has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, the Companies (Acceptance of Deposits) Rules, 1975 and the Housing Finance Companies (NHB) Directions, 2010, with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or the National Company Law Tribunal or the National Housing Bank or the Reserve Bank of India or any Court or any other Tribunal.

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

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

(a) The Corporation has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State

Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.

(c) Details of dues of Wealth Tax, Interest on Lease Tax and Employees' State Insurance which have not been deposited as on March 31, 2014 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved ₹ in Crore
The Wealth Tax Act, 1957	Wealth Tax	Assistant Commissioner of Wealth Tax	1998-1999	0.12
Maharashtra Sales Tax on the Transfer of the Right to use any Goods for any Purpose Act, 1985	Interest on Lease Tax	Commissioner of Sales Tax (Appeals)	1999-2000	0.02
Employees State Insurance Act, 1948	Payment towards Employer's Contribution to ESIC	Assistant / Deputy Director - ESIC	2010-2011	0.01

(x) In our opinion and according to the information and explanations given to us, the Corporation has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.

(xi) In our opinion, the Corporation has maintained adequate documents and records where it has granted loans and advances on the basis of security by way of

pledge of shares, debentures and other securities.

(xii) Based on our examination of the records and evaluation of the related internal controls, the Corporation has maintained proper records of the transactions and contracts in respect of its dealing in shares, securities, debentures and other investments and timely entries have been made therein. The aforesaid securities have been held by the Corporation in its own name.

(xiii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Corporation for loans taken by others from banks and financial institutions, are not *prima facie* prejudicial to the interest of the Corporation.

(xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Corporation during the year for the purposes for which they were obtained, other than temporary deployment pending application.

(xv) According to the information and explanations given to us and on the basis of the maturity profile of

assets and liabilities with a residual maturity of one year, as given in the Asset Liability Management Report, liabilities maturing in the next one year are in excess of the assets of similar maturity by ₹ 2,695.06 crore.

(xvi) According to the information and explanations given to us, the Corporation has made preferential allotment of shares on exercise of options granted in earlier years under the ESOP Schemes to parties covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which, in our opinion, is *prima facie* not prejudicial to the interest of the Corporation.

(xvii) According to the information and explanations given to us, during the period covered by our audit report, the Corporation had issued non-convertible debentures amounting to ₹ 24,209 crore. The Corporation has created security in respect of the debentures issued.

(xviii) During the period covered under our audit report, the Corporation has not raised any money by public issues.

(xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Corporation and no material fraud on the Corporation

has been noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context of the size of the Corporation and the nature of its business and which have been provided for.

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

MUMBAI,  
6th May, 2014

Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 39826)



## Balance Sheet as at March 31, 2014

	Notes	₹ in Crore	₹ in Crore	March 31, 2013 ₹ in Crore
<b>EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share capital	2	312.10		309.27
Reserves and surplus	3	<u>27,643.09</u>	27,955.19	<u>24,520.94</u>
				24,830.21
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	4	86,881.04		90,005.01
Other long-term liabilities	5	2,231.11		1,810.57
Long-term provisions	6	<u>1,345.63</u>	90,457.78	<u>1,299.22</u>
				93,114.80
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	7	25,642.75		18,786.69
Trade payables	8	81.82		26.89
Other current liabilities	9			
- Borrowings		71,774.30		50,036.41
- Others		7,137.20		6,165.99
Short-term provisions	10	<u>2,708.35</u>		<u>2,399.97</u>
			1,07,344.42	<u>77,415.95</u>
			<u>2,25,757.39</u>	<u>1,95,360.96</u>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Fixed assets				
(i) Tangible assets	11	275.76		232.96
(ii) Intangible assets	12	4.72		4.98
Non-current investments	13	13,370.29		12,531.86
Deferred tax asset (Net)	14	629.87		631.38
Long-term loans and advances	15			
- Loans		1,75,746.08		1,51,630.87
- Others		2,455.50		1,817.56
Other non-current assets	16	<u>1,098.90</u>	1,93,581.12	<u>656.47</u>
				1,67,506.08
<b>CURRENT ASSETS</b>				
Current investments	17	542.36		1,081.60
Trade receivables	18	84.52		1.32
Cash and bank balances	19	7,715.52		5,751.14
Short-term loans and advances	20			
- Loans		20,808.31		17,939.97
- Others		2,303.36		2,459.89
Other current assets	21	<u>722.20</u>	32,176.27	<u>620.96</u>
			<u>32,176.27</u>	<u>27,854.88</u>
			<u>2,25,757.39</u>	<u>1,95,360.96</u>

See accompanying notes forming part of the financial statement

As per our report attached.

Directors

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Deepak S. Parekh  
Chairman

Nasser Munjee  
B. S. Mehta  
D. N. Ghosh  
S. A. Dave

R. S. Tarneja  
J. J. Irani  
Bimal Jalan  
D. M. Sukthankar

Sanjiv V. Pilgaonkar  
Partner

Keki M. Mistry  
Vice Chairman &  
Chief Executive Officer

MUMBAI, May 6, 2014

Renu Sud Karnad  
Managing Director

V. Srinivasa Rangan  
Executive Director

Girish V. Koliyote  
Company Secretary

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

	Notes	₹ in Crore	Previous Year ₹ in Crore
<b>INCOME</b>			
Revenue from Operations	23	23,894.03	20,796.95
Profit on Sale of Investments	24	248.98	315.55
Other Income	25	54.66	35.12
<b>Total Revenue</b>		<b><u>24,197.67</u></b>	<b><u>21,147.62</u></b>
<b>EXPENSES</b>			
Finance Cost	26	16,029.37	13,890.89
Staff Expenses	27	279.18	246.19
Establishment Expenses	28	86.98	75.68
Other Expenses	29	230.03	193.43
Depreciation and Amortisation	11 & 12	31.87	23.59
Provision for Contingencies		100.00	145.00
<b>Total Expenses</b>		<b><u>16,757.43</u></b>	<b><u>14,574.78</u></b>
<b>PROFIT BEFORE TAX</b>		<b>7,440.24</b>	<b>6,572.84</b>
Tax Expense			
- Current Tax		1,973.00	1,727.68
- Deferred Tax	14	27.00	(3.18)
<b>PROFIT FOR THE YEAR</b>	3	<b><u>5,440.24</u></b>	<b><u>4,848.34</u></b>
<b>EARNINGS PER SHARE (Face Value ₹ 2)</b>	31		
- Basic		34.89	31.84
- Diluted		34.62	31.45

See accompanying notes forming part of the financial statement

As per our report attached.

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Sanjiv V. Pilgaonkar  
Partner

MUMBAI, May 6, 2014

Deepak S. Parekh  
Chairman

Keki M. Mistry  
Vice Chairman &  
Chief Executive Officer

Renu Sud Karnad  
Managing Director

Nasser Munjee  
B. S. Mehta  
D. N. Ghosh  
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Executive Director

Directors

R. S. Tarneja  
J. J. Irani  
Bimal Jalan  
D. M. Sukthankar

Girish V. Koliyote  
Company Secretary

## Cash Flow Statement for the year ended March 31, 2014

	Notes	₹ in Crore	Previous Year ₹ in Crore
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax		7,440.24	6,572.84
Adjustments for:			
Depreciation and Amortisation	11 & 12	31.87	23.59
Provision for Contingencies	3.2	100.00	145.00
Interest Expense	26	15,787.38	13,633.99
Net Gain on translation of foreign currency monetary assets and liabilities	26.3	(53.03)	(53.23)
Interest Income	23	(22,693.17)	(19,817.17)
Utilisation of Securities Premium		(398.20)	(708.71)
Utilisation Shelter Assistance Reserve	3	(13.02)	(9.13)
Profit on Sale of Investments	24	(248.98)	(315.55)
Dividend Income	23	(555.59)	(480.66)
Profit on Sale of Investment in Properties		(6.21)	(0.12)
Surplus from deployment in Cash Management Schemes of Mutual Funds	23	(337.38)	(252.34)
Profit on Sale of Fixed Assets (Net)		(20.93)	(0.23)
Operating Profit before Working Capital changes		(967.02)	(1,261.72)
Adjustments for:			
Current and Non-Current Assets		228.46	4,032.24
Current and Non-Current Liabilities		(6.14)	8.07
Cash generated from Operations		(744.70)	2,778.59
Interest Received		22,376.67	19,568.67
Interest Paid		(14,839.24)	(11,771.41)
Dividend Received		555.59	480.66
Taxes Paid		(2,519.78)	(2,197.46)
Net cash from Operations		4,828.54	8,859.05
Loans disbursed (Net)		(26,705.43)	(29,040.32)
Corporate Deposits (Net)		306.75	341.45
Net cash used in operating activities		(21,570.14)	(19,839.82)
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets		(79.76)	(25.84)
Sale of Fixed Assets		28.55	0.91
		(51.21)	(24.93)
Investments in Subsidiaries		(74.66)	(86.58)
Investment in Cash Management Schemes of Mutual Funds		(4,40,700.00)	(2,26,559.00)
Other Investments		(1,334.42)	(3,261.08)
Sale proceeds of Investments :			
- in Cash Management Schemes of Mutual Funds		4,41,037.38	2,26,811.34
- in Other Companies and Properties		1,267.26	2,249.46
Net cash from / (used in) investing activities		144.35	(870.81)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share Capital - Equity	2.1	2.83	13.88
Securities Premium	3	626.42	3,819.09
Borrowings (Net)		25,355.12	19,574.71
Dividend paid - Equity Shares		(1,939.91)	(1,635.57)
Tax paid on Dividend		(314.98)	(241.02)
Net cash from financing activities		23,729.48	21,531.09
Net Increase in cash and cash equivalents [A+B+C]		2,303.69	820.46
Add : Cash and cash equivalents as at the beginning of the year	19	3,324.05	2,499.40
Add : Exchange difference on bank balance		6.98	4.19
Cash and cash equivalents as at the end of the year	19	5,634.72	3,324.05
Earmarked balances with banks:			
- Unclaimed Dividend Account		14.36	11.61
- Towards Guarantees Issued by Banks		0.14	0.12
- Other Against Foreign Currency Loans		6.40	5.41
Short-term bank deposits		2,059.90	2,409.95
Cash and Bank balances at the end of the year	19	7,715.52	5,751.14

See accompanying notes forming part of the financial statement

As per our report attached.

Directors

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Deepak S. Parekh  
Chairman

Nasser Munjee  
B. S. Mehta  
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Vice Chairman &  
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Executive Director

Girish V. Koliyote  
Company Secretary

MUMBAI, May 6, 2014

Renu Sud Karnad  
Managing Director

## Notes forming part of the standalone financial statements

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 ACCOUNTING CONVENTION

These accounts have been prepared in accordance with historical cost convention, applicable Accounting Standards as notified under the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs), the relevant provisions of the Companies Act, 1956 and the guidelines issued by the National Housing Bank to the extent applicable. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

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

#### 1.2 SYSTEM OF ACCOUNTING

The Corporation adopts the accrual concept in the preparation of the accounts.

The Balance Sheet and the Statement of Profit and Loss of the Corporation are prepared in accordance with the provisions contained in Section 211 of the Companies Act, 1956, read with Revised Schedule VI.

#### 1.3 INFLATION

Assets and liabilities are recorded at historical cost to the Corporation. These costs are not adjusted to reflect the changing value in the purchasing power of money.

#### 1.4 OPERATING CYCLE

Based on the nature of its activities, the Corporation has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

#### 1.5 CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Corporation are segregated based on the available information.

#### 1.6 CASH AND CASH EQUIVALENTS (FOR PURPOSES OF CASH FLOW STATEMENT)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### 1.7 LOANS AND RECEIVABLES AND CREDIT LOSS ALLOWANCES

Loans are initially recorded at the disbursed principal amounts and are subsequently adjusted for recoveries and any unearned income. Loans are carried net of the allowances for credit losses.

A loan is recognised as non-performing ("NPA") or as a "doubtful" or as a "loss" asset based on the period for which the repayment instalment or interest has remained in arrears as prescribed under the Housing Finance Companies (NHB) Directions, 2010, (the "NHB Directions"). Allowances for credit losses are made on an individual basis at rates prescribed under the NHB Directions unless, the management estimates that a higher individual allowance is required to reduce the carrying value of loan asset, including accrued interest, to its estimated realisable amount. The fair value of the underlying security is taken into consideration to estimate

## Notes forming part of the standalone financial statements (Continued)

the realisable amount of the loan. When a loan is identified as a “Loss Asset” that is adversely affected by a potential threat of non-recoverability, the outstanding balance is fully written off or fully provided for.

### 1.8 INTEREST INCOME ON LOANS

Repayment of housing loans is generally by way of Equated Monthly Instalments (EMIs) comprising principal and interest. EMIs commence generally once the entire loan is disbursed. Certain customers request for commencement of regular principal repayments even before the entire loan is disbursed, especially when the projects are of long gestation. A recalculated EMI based on Principal Outstanding is offered in such cases. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed either on an annual rest or on a monthly rest basis on the principal outstanding at the beginning of the relevant period.

Interest income is allocated over the contractual term of the loan by applying the committed interest rate to the outstanding amount of the loan. Interest income is accrued as earned with the passage of time.

Interest on loan assets classified as “non-performing” is recognised only on actual receipt.

### 1.9 DIVIDEND

Dividend income is recognised when the right to receive has been established.

### 1.10 FEES AND OTHER REVENUE

Fees and other revenue is recognised after the service is rendered to the extent that it is probable that the economic benefits will flow to the Corporation and that the revenue can be reliably measured, regardless of when the payment is being made.

### 1.11 INCOME FROM LEASES

Lease rental income in respect of leases is recognised in accordance with the Accounting Standard on ‘Leases’ (AS 19) notified by the Companies (Accounting Standards) Rules, 2006.

### 1.12 INCOME FROM INVESTMENTS

The gain/loss on account of Investments in Preference Shares, Debentures/Bonds and Government Securities held as long-term investments and acquired at a discount/premium, is recognised over the life of the security on a pro-rata basis. Interest Income is accounted on accrual basis.

### 1.13 BORROWING AND BORROWING COSTS

The Corporation borrows funds, primarily in Indian Rupees, and carry a fixed rate or floating of interest. As a part of its risk management strategy, the Corporation converts such borrowings into floating rate or foreign currency borrowings by entering into interest rate swaps or cross currency interest rate swaps having the same notional amount and maturity as the underlying borrowings and holds these instruments till maturity. At each reporting date these liabilities are restated at the closing rate.

Borrowing costs include interest, amortised brokerage on deposits and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary costs in connection with long-term external commercial borrowings are amortised to the Statement of Profit and Loss over the tenure of the loan. Issue expenses of certain securities are charged to the securities premium account.

### 1.14 TRANSLATION OF FOREIGN CURRENCY

#### Initial recognition

Transactions in foreign currencies entered into by the Corporation are accounted at the exchange rates prevailing on the date of the transaction.



## Notes forming part of the standalone financial statements (Continued)

### Measurement at the Balance Sheet date

Assets and liabilities in foreign currencies are converted at the rates of exchange prevailing at the year-end, where not covered by forward contracts. Wherever the Corporation has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract. Monetary items represented by currency swap contracts are recorded at closing rate.

The net loss/gain on translation of long term monetary assets and liabilities in foreign currencies is amortised over the maturity period of such monetary assets and liabilities and charged to the Statement of Profit and Loss. The unamortised exchange difference is carried in the Balance Sheet as "Foreign Currency Monetary Item Translation Difference Account". The net loss/gain on translation of short term monetary assets and liabilities in foreign currencies is recorded in the Statement of Profit and Loss.

### 1.15 BROKERAGE ON DEPOSITS

Brokerage, other than incentive brokerage on deposits, is amortised over the period of the deposit. Incentive brokerage, which is payable to agents who achieve certain collection targets, is charged to the Statement of Profit and Loss.

### 1.16 OPERATING LEASES

Payments under an operating lease arrangement, where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are charged to the Statement of Profit and Loss on a straight-line basis over the lease term, unless another systematic basis is more appropriate.

### 1.17 INVESTMENTS

Investments are capitalised at cost inclusive of brokerage and stamp charges and are classified into two categories, viz. Current or Long Term. Long-term investments (excluding investment properties), are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Provision for diminution in the value of investments is made in accordance with the guidelines issued by the National Housing Bank and the Accounting Standard on 'Accounting for Investments' (AS 13) notified by the Companies (Accounting Standards) Rules, 2006, and is recognised through the Provision for Contingencies Account. Investment properties are carried individually at cost less accumulated depreciation and impairment, if any.

### 1.18 TANGIBLE FIXED ASSETS

Fixed Assets are capitalised at cost inclusive of legal and/or installation expenses. Leased Assets are accounted in accordance with the Accounting Standard on 'Leases' (AS 19) notified by the Companies (Accounting Standards) Rules, 2006.

### 1.19 INTANGIBLE ASSETS

Intangible Assets comprising of system software are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition, less accumulated amortisation. Any expenses on such software for support and maintenance payable annually are charged to the Statement of Profit and Loss.

### 1.20 DEPRECIATION AND AMORTISATION

#### Tangible Fixed Assets

Depreciation on all Fixed Assets other than Leased Assets and Leasehold Improvements, is provided for the full year in respect of assets acquired during the year. No depreciation is provided in the year of sale.

In respect of Leased Assets and Leasehold Improvements depreciation is provided on a pro-rata basis from the date of installation / acquisition.

## Notes forming part of the standalone financial statements (Continued)

Depreciation on Buildings, Computers, Leased Assets and Leasehold Improvements, is calculated as per the straight-line method; and on other assets as per the reducing balance method. All assets except Computers and Leased Assets are depreciated at rates specified by the Companies Act, 1956. Depreciation on Computers is calculated at the rate of 25 per cent per annum. Depreciation in respect of finance leases is provided on the straight line method over the primary period of lease or over the specified period, as defined under Section 205(5)(a) of the Companies Act, 1956, whichever is shorter. Depreciation in respect of Leasehold Improvements is provided on the straight-line method over the primary period of the lease.

### Intangible Assets

Capitalised software is amortised over a period of four years on a straight-line basis.

### Investment In Properties

Depreciation on Investment in properties is provided on a pro-rata basis from the date of acquisition.

#### 1.21 PROVISIONS AND CONTINGENCIES

A provision is recognised when the Corporation has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding employee benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are neither recognised nor disclosed in the financial statements.

#### 1.22 PROVISION FOR CONTINGENCIES AND NON-PERFORMING ASSETS

The Corporation's policy is to carry adequate amounts in the Provision for Non-Performing Assets Account and the Provision for Contingencies account to cover the amount outstanding in respect of all non-performing assets and standard assets respectively as also all other contingencies. All loans and other credit exposures where the instalments, interest are overdue for ninety days and more are classified as non-performing assets in accordance with the prudential norms prescribed by the National Housing Bank. The provision for non-performing assets is deducted from loans and advances. The provisioning policy of the Corporation covers the minimum provisioning required as per the NHB guidelines.

#### 1.23 STANDARD ASSET PROVISIONING (COLLECTIVE ALLOWANCES)

Provisions are established on a collective basis against loan assets classified as "Standard" to absorb credit losses on the aggregate exposures in each of the Corporation's loan portfolios based on the NHB Directions. A higher standard asset provision may be made based upon statistical analysis of past performance, level of allowance already in place and Management's judgement. This estimate includes consideration of economic and business conditions. The amount of the collective allowance for credit losses is the amount that is required to establish a balance in the Provision for Standard Assets Account that the Corporation's management considers adequate, after consideration of the prescribed minimum under the NHB Directions, to absorb credit related losses in its portfolio of loan items after individual allowances or write offs.

#### 1.24 EMPLOYEE BENEFITS

##### Defined contribution plans

The Corporation's contribution to provident fund and superannuation fund are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made. These funds and the schemes there under are recognised by the Income-tax authorities and administered by various trustees. The Rules of the Corporation's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Corporation.

## Notes forming part of the standalone financial statements (Continued)

### Defined benefit plans

For defined benefit plans in the form of gratuity fund and post retirement pension scheme for whole time Directors, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Except in case of Dubai branch of the Corporation, the provision for gratuity is made in accordance with the prevalent local laws.

### Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

### Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date.

## 1.25 EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

## 1.26 TAXES ON INCOME

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

## Notes forming part of the standalone financial statements (Continued)

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

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

### 1.27 SERVICE TAX INPUT CREDIT

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

### 1.28 SECURITISED LOANS AND SECURITISATION LIABILITIES

The Corporation periodically transfers pools of mortgages. Such assets are derecognised, if and only if, the Corporation loses control of the contractual rights that comprise the corresponding pools or mortgages transferred.

Transfers of pools of mortgages under the current programs involve transfer of proportionate shares in the pools of mortgages. Such transfers result in de-recognition only of that proportion of the mortgages as meet the de-recognition criteria. The portion retained by the Corporation continue to be accounted for as loans as described above.

On de-recognition, the difference between the book value of the securitised asset and consideration received is recognised as gain arising on securitisation in the Statement of Profit and Loss over the balance maturity period of the pool transferred. Losses, if any, arising from such transactions, are recognised immediately in the Statement of Profit and Loss.

## 2. SHARE CAPITAL

	As at March 31, 2014 ₹ in Crore	As at March 31, 2013 ₹ in Crore
<b>AUTHORISED</b>		
162,50,00,000 Equity Shares of ₹ 2 each	325.00	325.00
(Previous Year 162,50,00,000 Equity Shares of ₹ 2 each)		
	<u>325.00</u>	<u>325.00</u>
<b>ISSUED, SUBSCRIBED AND FULLY PAID UP</b>		
156,05,32,605 Equity Shares of ₹ 2 each	312.10	309.27
(Previous Year 154,63,47,255 Equity Shares of ₹ 2 each)		
	<u>312.10</u>	<u>309.27</u>

## Notes forming part of the standalone financial statements (Continued)

### 2.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	₹ in Crore	Number	₹ in Crore
Equity shares outstanding as at the beginning of the year	154,63,47,255	309.27	147,69,70,010	295.39
Shares allotted pursuant to exercise of stock options	1,41,85,350	2.83	1,46,93,995	2.94
Shares allotted pursuant to exchange of warrants	-	-	5,46,83,250	10.94
Equity shares outstanding as at the end of the year	<u>156,05,32,605</u>	<u>312.10</u>	<u>154,63,47,255</u>	<u>309.27</u>

### 2.2 The details of each shareholder holding more than 5 percent shares in the Corporation:

Particulars	Outstanding as on March 31, 2014		Outstanding as on March 31, 2013	
	Number	Percentage of shares held to total Shares (%)	Number	Percentage of shares held to total Shares (%)
Aberdeen Asset Management Asia Ltd. (on behalf of funds advised/managed)	11,10,21,121	7.11	12,74,90,319	8.24

### 2.3 3,35,28,585 shares of ₹ 2 each (Previous Year 4,77,13,935 shares of ₹ 2 each) were reserved for issuance towards outstanding Employees Stock Options granted / available for grant, including lapsed options [Refer Note 2.4].

The Corporation has only one class of shares referred to as equity shares having Face Value of ₹ 2 each. Each holder of equity share is entitled to one vote per share.

The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by Shareholders at the Annual General Meeting.

### 2.4 Under Employees Stock Option Scheme – 2011 (ESOS – 11), the Corporation had on May 23, 2012, granted 61,02,475 stock options at an exercise price of ₹ 3177.50 per option representing 3,05,12,375 equity shares of ₹ 2 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 11, the options would vest over a period of 1-3 years from the date of grant, but not later than May 22, 2015, depending upon option grantee completing continuous service of three years with the Corporation. Accordingly, during the year 58,26,953 options (Previous Year NIL options) were vested. In the current year 28,787 options (Previous Year 31,200 options) were lapsed. The options can be exercised over a period of five years from the date of respective vesting.



## Notes forming part of the standalone financial statements (Continued)

Under Employees Stock Option Scheme – 2008 (ESOS – 08), the Corporation had on November 25, 2008, granted 57,90,000 stock options at an exercise price of ₹ 1,350.60 per option representing 57,90,000 equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 08, the options would vest over a period of 1-3 years from the date of grant, but not later than November 24, 2011, depending upon option grantee completing continuous service of three years with the Corporation. Accordingly, all the options have been vested in the earlier years. In the current year **146 options** (Previous Year 112 options) were lapsed after vesting. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme – 2007 (ESOS – 07), the Corporation had on September 12, 2007, granted 54,56,835 stock options at an exercise price of ₹ 2,149 per option representing 54,56,835 equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 07, the options would vest over a period of 1-3 years from the date of grant, but not later than September 11, 2010, depending upon option grantee completing continuous service of three years with the Corporation. All the options have been vested in the earlier years. In the current year **28,742 options** (Previous Year 525 options) were lapsed after vesting. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme – 2005 (ESOS – 05), the Corporation had on October 25, 2005, granted 74,73,621 stock options at an exercise price of ₹ 912.90 per option representing 74,73,621 equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of the ESOS-05, the options would vest over a period of 2-3 years from the date of grant, but not later than October 24, 2008, depending upon option grantee completing continuous service of three years with the Corporation. All the options have been vested in the earlier years. In the current year **Nil options** (Previous Year 12,285 options) were lapsed after vesting. The options were exercisable over a period of five years from the date of respective vesting. Accordingly, all the options vested under ESOS-05 have been exercised.

### Method used for accounting for share based payment plan:

The Corporation has used intrinsic value method to account for the compensation cost of stock options to employees of the Corporation. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. Since the options under ESOS-11, ESOS-08, ESOS-07 and ESOS-05 were granted at the market price, the intrinsic value of the option is Nil. Consequently the accounting value of the option (compensation cost) is also Nil.

## Notes forming part of the standalone financial statements (Continued)

Movement in the options under ESOS-11, ESOS-08, ESOS-07 and ESOS-05:

Particulars	ESOS-11	
	Options Current Year	Options Previous Year
Outstanding at the beginning of the year	60,71,275	-
Granted during the year	-	61,02,475
Vested during the year	58,26,953	-
Exercised during the year	6,36,073	-
Lapsed during the year	28,787	31,200
Outstanding at the end of the year	54,06,415	60,71,275
Unvested at the end of the year	2,25,182	60,71,275
Exercisable at the end of the year	5,181,233	-
Weighted average price per option	₹ 3,177.50	

Particulars	ESOS-08	
	Options Current Year	Options Previous Year
Outstanding at the beginning of the year	17,56,739	22,81,083
Granted during the year	-	-
Vested during the year	-	-
Exercised during the year	5,74,236	5,24,232
Lapsed during the year	146	112
Outstanding at the end of the year	11,82,357	17,56,739
Unvested at the end of the year	-	-
Exercisable at the end of the year	11,82,357	17,56,739
Weighted average price per option	₹ 1,350.60	

Particulars	ESOS-07	
	Options Current Year	Options Previous Year
Outstanding at the beginning of the year	16,70,651	37,80,574
Granted during the year	-	-
Vested during the year	-	-
Exercised during the year	16,26,761	21,09,398
Lapsed during the year	28,742	525
Outstanding at the end of the year	15,148	16,70,651
Unvested at the end of the year	-	-
Exercisable at the end of the year	15,148	16,70,651
Weighted average price per option	₹ 2,149.00	

## Notes forming part of the standalone financial statements (Continued)

Particulars	ESOS-05	
	Options Current Year	Options Previous Year
Outstanding at the beginning of the year	-	3,17,454
Granted during the year	-	-
Vested during the year	-	-
Exercised during the year	-	3,05,169
Lapsed during the year	-	12,285
Outstanding at the end of the year	-	-
Unvested at the end of the year	-	-
Exercisable at the end of the year	-	-
Weighted average price per option	₹ 912.90	

With effect from August 21, 2010, the nominal face value of equity shares of the Corporation was sub-divided from ₹ 10 per share to ₹ 2 per share. Accordingly, each options exercised after August 21, 2010 is entitled to 5 equity shares of ₹ 2 each.

### Fair Value Methodology:

The fair value of options have been estimated on the date of grant using Black-Scholes model as under:

The key assumptions used in Black-Scholes model for calculating fair value under ESOS-11, ESOS -08, ESOS-07 and ESOS-05 as on the date of grant viz. May 23, 2012, November 25, 2008, September 12, 2007 and October 25, 2005, are as follows :

Particulars	ESOS-11	ESOS-08	ESOS-07	ESOS-05
Risk-free interest rate (p.a.)	8.06%	6.94%	7.70%	6.38%
Expected life	Upto 2 years	Upto 2 years	Upto 2 years	2 to 3 years
Expected volatility of share price	15%	29%	19%	30%
Expected growth in dividend (p.a.)	20%	20%	20%	20%
The weighted average fair value, as on the date of grant (per Stock Option)	₹ 474.56	₹ 238.79	₹ 307.28	₹ 105.50

Since all the stock options granted under ESOS-08, ESOS-07 and ESOS-05 have been vested, the stock based compensation expense determined under fair value based method is ₹ Nil (Previous Year ₹ Nil). Accordingly there is no change in the reported and pro-forma net profit and Basic and Diluted EPS.

However, had the compensation cost for the stock options granted under ESOS-11 been determined based on the fair value approach, the Corporation's net profit and earnings per share would have been as per the pro-forma amounts indicated below:

₹ in Crore

Particulars	Current Year	Previous Year
Net Profit (as reported)	5,440.24	4,848.34
Less : Stock-based compensation expenses determined under fair value based method, net of tax: [ Gross ₹ 52.98 crore (Previous Year ₹ 233.78 crore)] (pro-forma)	34.97	157.93
Net Profit (pro-forma)	5,405.27	4,690.41
Less : Amounts utilised out of Shelter Assistance Reserve	13.02	9.13
Net Profit considered for computing EPS (pro-forma)	5,392.25	4,681.28

## Notes forming part of the standalone financial statements (Continued)

Particulars	Current Year	Previous Year
Basic earnings per share (as reported)	34.89	31.84
Basic earnings per share (pro-forma)	34.67	30.80
Diluted earnings per share (as reported)	34.62	31.45
Diluted earnings per share (pro-forma)	34.40	30.42

### 3. RESERVES AND SURPLUS

		As at March 31, 2014 ₹ in Crore	As at March 31, 2013 ₹ in Crore
<b>SPECIAL RESERVE No. I [Refer Note 3.3]</b>		51.23	51.23
<b>SPECIAL RESERVE No. II [Refer Note 3.3]</b>			
Opening Balance	5,525.95		4,750.95
Add: Transfer from Statement of Profit and Loss [Refer Note 3.4]	890.00		775.00
		6,415.95	5,525.95
<b>GENERAL RESERVE</b>			
Opening Balance	7,059.78		6,103.16
Add : Transfer from Statement of Profit and Loss	1,037.98		956.62
		8,097.76	7,059.78
<b>STATUTORY RESERVE (As per Section 29C of the National Housing Bank Act, 1987)</b>			
Opening Balance	2,278.93		1,453.93
Add : Transfer from Statement of Profit and Loss [Refer Note 3.4]	900.00		825.00
	3,178.93		2,278.93
Less : Utilised during the Year [Refer Note 3.2] [Net of Deferred Tax of ₹ 25.49 crore (Previous Year ₹ Nil)]	49.51		-
		3,129.42	2,278.93
<b>SECURITIES PREMIUM</b>			
Opening Balance	9,721.17		6,038.89
Add : Transferred from Capital Reserve [Refer Note 3.10]	-		301.23
Add : Received during the year	626.42		3,819.09
	10,347.59		10,159.21
Less : Utilised during the year (Net) [Refer Note 3.5] [(Net of tax effect of ₹ 183.91 crore) (Previous Year ₹ 175.54 crore)]	357.17	9,990.42	438.04
			9,721.17
<b>SHELTER ASSISTANCE RESERVE</b>			
Opening Balance	53.63		22.76
Add : Transfer from Statement of Profit and Loss	60.00		40.00
	113.63		62.76
Less : Utilised during the year [Refer Notes 3.1 & 29.1 ]	13.02		9.13
		100.61	53.63

## Notes forming part of the standalone financial statements (Continued)

		As at March 31, 2014 ₹ in Crore	As at March 31, 2013 ₹ in Crore
<b>CAPITAL RESERVE</b>			
Opening Balance	0.04		301.27
Less: Transferred to Securities Premium [Refer Note 3.10]	-		(301.23)
		0.04	0.04
<b>FOREIGN CURRENCY MONETARY ITEMS TRANSLATION DIFFERENCE ACCOUNT (Debit Balance)</b>			
Opening Balance (Debit)	(169.79)		(206.24)
Add / (Less): Effect of foreign exchange rate variations during the year	53.31		(0.37)
Add / (Less): Amortisation for the year [Refer Note 3.6 & 3.7]	(25.86)		36.82
Closing balance - (Debit)		(142.34)	(169.79)
<b>SURPLUS IN THE STATEMENT OF PROFIT AND LOSS</b>			
Profit for the year	5,440.24		4,848.34
Amount available for appropriations	5,440.24		4,848.34
<b>Appropriations:</b>			
Special Reserve No. II [Refer Note 3.4]	890.00		775.00
General Reserve	1,037.98		956.62
Statutory Reserve (As per Section 29C of The National Housing Bank Act, 1987) [Refer Note 3.4]	900.00		825.00
Shelter Assistance Reserve	60.00		40.00
Proposed Dividend	2,184.75		1,932.93
[Dividend ₹ 14.00 per equity share of ₹ 2 each (Previous Year ₹ 12.50 per equity share of ₹ 2 each)]			
Additional Tax on Proposed Dividend	371.30		328.50
Additional Tax on Dividend - FY 2012-13 (Previous Year - FY 2011-12) [Refer Note 3.8]	(15.18)		(24.62)
Dividend including tax of ₹ 1.66 crore (Previous Year ₹ 2.08 crore) pertaining to Previous Year paid during the year [Refer Note 3.9]	11.39		14.91
		27,643.09	24,520.94

- 3.1 Miscellaneous Expenses under Note 29.1 exclude ₹ 13.02 crore (Previous Year ₹ 9.13 crore) in respect of amounts utilised out of Shelter Assistance Reserve during the year.
- 3.2 During the year, in addition to the charge of ₹ 100 crore (Previous Year ₹ 145 crore) to the Statement of Profit and Loss, an amount of ₹ 49.51 crore (net of Deferred Tax ₹ 25.49 crore) [Previous Year ₹ Nil (net of Deferred Tax of ₹ Nil)] has been transferred from Statutory Reserve (As per Section 29C of the National Housing Bank Act, 1987) pursuant to circular NHB(ND)/DRS/Pol-No.03/2004-05 dated August 26, 2004 as under:



## Notes forming part of the standalone financial statements (Continued)

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
To Provision for Contingencies Account (Net) [Refer Note 6.2]	58.20	54.24
To Provision for Sub-Standard & Doubtful Loans [Refer Note 15.6]	116.80	39.05
To Provision for Doubtful Receivables [Refer Note 20]	-	51.71
	175.00	145.00

- 3.3 Special Reserve has been created over the years in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of the Corporation. Special Reserve No. I relates to the amounts transferred upto Financial Year 1996-97, whereas Special Reserve No. II relates to the amounts transferred thereafter.
- 3.4 As per Section 29 C of The National Housing Bank Act, 1987 ("The NHB Act"), the Corporation is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Corporation under Section 36(1)(viii) of the Income- tax Act, 1961 is considered to be an eligible transfer. The Corporation has transferred an amount of ₹ 890 crore (Previous Year ₹ 775 crore) to Special Reserve No. II in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and an amount of ₹ 900 crore (Previous Year ₹ 825 crore) to "Statutory Reserve (As per Section 29C of The NHB Act)".

In terms of requirement of NHB's Circular No. NHB(ND)/DRS/Pol. Circular.61/2013-14 dated April 7, 2014 following information on Reserve Fund under Section 29C of The NHB Act is provided :

₹ in Crore

Particulars	Current Year	Previous Year
<b>Balance at the beginning of the year</b>		
a) Statutory Reserve u/s 29C of The NHB Act	2,278.93	1,453.93
b) Amount of Special Reserve u/s 36 (1)(viii) of The Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve u/s 29C of The NHB Act	5,577.18	4,802.18
c) Total	7,856.11	6,256.11
<b>Addition / Appropriation / Withdrawal during the year</b>		
<b>Add :</b>		
a) Amount transferred u/s 29C of The NHB Act	900.00	825.00
b) Amount of Special Reserve u/s 36 (1)(viii) of The Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of The NHB Act	890.00	775.00
<b>Less :</b>		
a) Amount appropriated from Statutory Reserve u/s 29C of The NHB Act [Net of Deferred Tax of ₹ 25.49 crore (Previous Year ₹ Nil)]	49.51	-
b) Amount withdrawn from Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 which has been taken into account for the purpose of provision u/s 29C of The NHB Act	-	-
	9,596.60	7,856.11
<b>Balance at the end of the year</b>		
a) Statutory Reserve u/s 29C of The NHB Act	3,129.42	2,278.93
b) Amount of Special Reserve u/s 36 (1)(viii) of The Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve u/s 29C of The NHB Act	6,467.18	5,577.18
c) Total	9,596.60	7,856.11

## Notes forming part of the standalone financial statements (Continued)

- 3.5 During the year, the Corporation utilised ₹ 357.17 crore (net of tax effect of ₹ 183.91 crore) [(Previous Year ₹ 438.04 crore (net of tax effect of ₹ 175.54 crore)] in accordance with Section 78 of the Companies Act, 1956, towards the proportionate premium payable on redemption of Zero Coupon Secured Redeemable Non Convertible Debentures.
- 3.6 Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending the Accounting Standard 11, the Corporation has exercised the option as per Para 46A inserted in the Standard for all long term monetary assets and liabilities. Consequently, an amount of ₹ 142.34 crore (without considering future tax benefit of ₹ 48.38 crore) [(Previous Year ₹ 169.79 crore) (without considering future tax benefits of ₹ 57.71 crore)] is carried forward in the Foreign Currency Monetary Items Translation Difference Account as on March 31, 2014. This amount is to be amortised over the period of the monetary assets/liabilities ranging upto 5 years.
- 3.7 During the year, there was a net reduction of ₹ 27.45 crore (Previous Year ₹ 36.45 crore) in the Foreign Currency Monetary Items Translation Difference Account as under :

₹ in Crore

Particulars	Current Year	Previous Year
Net Revaluation of monetary assets & liabilities	21.95	(30.55)
Net Credit to the Statement of Profit & Loss on account of repayments during the year	31.36	30.18
Net amortisation credit (debit) during the year	(25.86)	36.82
Net reduction during the year	27.45	36.45

- 3.8 Additional Tax on dividend FY 2012-13 credit taken, ₹ 15.18 crore (Previous Year ₹ 24.62 crore for FY 2011-12), pertains to the dividend tax paid by the subsidiary companies of the Corporation on the dividend paid to the Corporation as per Section 115(O)(1A) of the Income Tax Act, 1961.
- 3.9 In respect of equity shares issued pursuant to Employee Stock Option Schemes, the Corporation paid dividend of ₹ 9.73 crore for the year 2012-13 (₹ 12.83 crore for the year 2011-12) and tax on dividend of ₹ 1.66 crore (Previous Year ₹ 2.08 crore) as approved by the shareholders at the Annual General Meeting held on July 19, 2013.
- 3.10 During the year 2009-10, the Corporation had made a simultaneous issue of Zero Coupon Secured Redeemable Non-Convertible Debentures (ZCD) aggregating to ₹ 4,000 crore and 1,09,53,706 warrants at a issue price of ₹ 275 per warrant aggregating to ₹ 301.23 crore. Each of the warrants entitled the holder to acquire one equity share of the Corporation at an exercise price of ₹ 3,000 per share of face value of ₹ 10 each (now exercise price of ₹ 600 per share of face value of ₹ 2 each) on or before August 23, 2012. The said issue of ZCD and Warrants was made under Chapter XIII-A of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. In the Previous Year the Subscription amount received on Issue of warrants has been transferred from Capital Reserve to Securities Premium Account as the same is not refundable / adjustable in future.

### 4. LONG-TERM BORROWINGS

₹ in Crore

		As at March 31, 2014	As at March 31, 2013
Bonds and Debentures [Refer Notes 4.3 & 4.10]	58,192.85		59,503.10
Term Loans :			
- Banks [Refer Note 4.10]	5,605.21		5,454.30
- External Commercial Borrowing - Low Cost Affordable Housing [Refer Notes 4.5 & 4.10]	1,805.10		-
- Others [Refer Note 4.10]	1,492.06		1,393.58
		67,095.22	66,350.98
Deposits [Refer Note 4.3]		19,785.82	23,654.03
Total		86,881.04	90,005.01

## Notes forming part of the standalone financial statements (Continued)

### 4.1 Long-term borrowings are further sub-classified as follows:

₹ in Crore

Sr. No.	Particulars	As at March 31, 2014	As at March 31, 2013
	Secured : [Refer Note 4.2]		
a)	Bonds and Debentures		
	- Bonds	52.25	57.50
	- Non Convertible Debentures	54,665.60	55,970.60
	Sub-Total	54,717.85	56,028.10
b)	Term Loans from Banks		
	- Scheduled Banks	4,823.00	4,855.00
	Sub-Total	4,823.00	4,855.00
c)	Term Loans from other parties		
	- Asian Development Bank [Refer Note 4.4]	257.52	276.75
	- Kreditanstalt für Wiederaufbau	-	10.65
	- National Housing Bank	1,217.10	1,072.04
		1,474.62	1,359.44
	Total Secured	61,015.47	62,242.54
	Unsecured:		
a)	Bonds and Debentures		
	- Non Convertible Subordinated Debentures [Refer Note 4.9]	3,475.00	3,475.00
b)	Term Loans from Banks		
	- Scheduled Banks	782.21	599.30
c)	External Commercial Borrowing - Low Cost Affordable Housing	1,805.10	-
d)	Term Loans from other parties		
	- Under a line from Kreditanstalt für Wiederaufbau	17.44	34.14
	Deposits [Refer Note 4.8]	19,785.82	23,654.03
	Total Unsecured:	25,865.57	27,762.47
	Total	86,881.04	90,005.01

- 4.2 All secured long term borrowing are secured by Negative Lien on the assets of the Corporation and mortgage of properties, subject to the charge created to an extent of 5% on its Total Assets Pursuant to the regulatory requirement under Section 29B of the National Housing Bank Act, 1987.
- 4.3 Non-Convertible Debentures includes ₹ 735.00 crore (Previous Year ₹ 625.00 crore) and Deposits includes ₹ 0.88 crore (Previous Year ₹ 3.01 crore) from related parties [Refer Note 35].
- 4.4 The Corporation has availed a loan of USD 100 million from the Asian Development Bank (Loan II). In respect of tranches 1 and 2 aggregating to USD 60 million, as per the agreements with a scheduled bank, the Corporation has handed over the dollar funds to the bank overseas and has obtained rupee funds in India amounting to ₹ 200 crore by way of a term loan and ₹ 100 crore through the issue of bonds which have been subscribed by the bank.

## Notes forming part of the standalone financial statements (Continued)

In respect of tranche 3 of USD 40 million, as per the agreement with a financial institution, the Corporation has handed over the dollars to a financial institution overseas and under a back-to-back arrangement obtained rupee funds in India. All payments in foreign currency are the responsibility of the financial institution. In terms of the agreements, the Corporation's foreign exchange liability is protected.

- 4.5 During the year, the Corporation has availed an External Commercial Borrowing of USD 300 million for financing prospective owners of low cost affordable housing units under "approval route" in terms of Reserve Bank of India guidelines dated December 17, 2012. The borrowing has a maturity of five years. In terms of the RBI guidelines, these borrowings have been swapped into rupees for the entire maturity by way of principal only swaps.
- 4.6 As on March 31, 2014, the Corporation has foreign currency borrowings of USD 740.63 million equivalent (Previous Year USD 632.96 million equivalent). The Corporation has undertaken currency swaps, options and forward contracts on a notional amount of USD 513 million equivalent (Previous Year USD 286.75 million equivalent) to hedge the foreign currency risk. Further, interest rate swaps on a notional amount of USD 83 million equivalent (Previous Year USD 130 million equivalent) are outstanding, which have been undertaken to hedge the interest rate risk on the foreign currency borrowings. As on March 31, 2014, the Corporation's net foreign currency exposure on borrowings net of risk management arrangements is USD Nil (Previous Year USD Nil).

As a part of asset liability management on account of the Corporation's Adjustable Rate Home Loan product as well as to reduce the overall cost of borrowings, the Corporation has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities of a notional amount of ₹ 19,040 crore (Previous Year ₹ 21,185 crore) as on March 31, 2014 for varying maturities into floating rate liabilities linked to various benchmarks. In addition, the Corporation has entered into currency swaps of a notional amount of USD 409.49 million equivalent (Previous Year USD 476.45 million equivalent) through which it has converted its rupee liabilities into foreign currency liabilities and the interest rate is linked to the benchmarks of respective currencies.

- 4.7 Monetary assets and liabilities (including those in respect of currency swap contracts) denominated in foreign currencies are revalued at the rate of exchange prevailing at the year end. Monetary items represented by currency swap contracts are restated at the closing rate.

For forward contracts or instruments that are in substance, forward exchange contracts, the premiums on such contracts are being amortised over the life of contracts. The amount of exchange difference in respect of such contracts to be recognised as expense in the Statement of Profit and Loss over subsequent accounting periods is ₹ 6.77 crore (Previous Year ₹ 29.90 crore).

- 4.8 Public deposits as defined in paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.
- 4.9 As at March 31, 2014, the Corporation's outstanding subordinated debt is ₹ 3,475 crore (Previous Year ₹ 3,475 crore). These debentures are subordinated to present and future senior indebtedness of the Corporation and qualify as Tier II capital under the National Housing Bank (NHB) guidelines for assessing capital adequacy. Based on the balance term to maturity as at March 31, 2014, 80.29% (Previous Year 85.90%) of the book value of the subordinated debt is considered as Tier II capital for the purpose of capital adequacy computation.

## Notes forming part of the standalone financial statements (Continued)

### 4.10 Terms of redemption of bonds and debentures and for repayment terms of term loans:

#### A) BONDS & DEBENTURES

(Previous Year figures are in brackets)

₹ in Crore

Bonds & Debentures - Secured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
6.03% - 8%	1,380.60 (2,830.60)	500.00 (800.00)	- -	1,880.60 (3,630.60)
8.01% - 10%	24,474.00 (20,000.00)	10,666.00 (13,555.00)	8,145.00 (9,335.00)	43,285.00 (42,890.00)
10.01% - 11.95%	1,085.00 -	5,320.00 (2,205.00)	- (4,200.00)	6,405.00 (6,405.00)
Zero Coupon	2,630.00 (450.00)	360.00 (2,490.00)	- -	2,990.00 (2,940.00)
Variable Rate - Linked to G Sec	116.75 (116.00)	13.15 (12.30)	27.35 (34.20)	157.25 (162.50)
TOTAL SECURED	A 29,686.35 A (23,396.60)	16,859.15 (19,062.30)	8,172.35 (13,569.20)	54,717.85 (56,028.10)
Bonds & Debentures Unsecured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
7.62% - 9.5%	975.00 (500.00)	- (475.00)	2,500.00 (2,500.00)	3,475.00 (3,475.00)
TOTAL UNSECURED	B 975.00 B (500.00)	- (475.00)	2,500.00 (2,500.00)	3,475.00 (3,475.00)
TOTAL (SECURED & UNSECURED)	A+B 30,661.35 A+B (23,896.60)	16,859.15 (19,537.30)	10,672.35 (16,069.20)	58,192.85 (59,503.10)



## Notes forming part of the standalone financial statements (Continued)

### B) TERM LOANS FROM BANKS

(Previous Year figures are in brackets)  
₹ in Crore

Term Loans from Banks - Secured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
Term Loans from Scheduled Banks - Rupee				
7.01% - 9%	323.00 (323.00)	- -	- -	323.00 (323.00)
9.01% - 10.75%	1,000.00 (1,032.00)	2,400.00 (2,400.00)	1,100.00 (1,100.00)	4,500.00 (4,532.00)
TOTAL SECURED	A A 1,323.00 (1,355.00)	2,400.00 (2,400.00)	1,100.00 (1,100.00)	4,823.00 (4,855.00)
Term Loans from Banks - Unsecured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
Term Loans from Scheduled Banks - Foreign Currency				
USD LIBOR + 325 bps	782.21 -	- (599.30)	- -	782.21 (599.30)
TOTAL UNSECURED	B B 782.21 -	- (599.30)	- -	782.21 (599.30)
TOTAL (SECURED & UNSECURED)	A+B A+B 2,105.21 (1,355.00)	2,400.00 (2,999.30)	1,100.00 (1,100.00)	5,605.21 (5,454.30)

### C) EXTERNAL COMMERCIAL BORROWING - LOW COST AFFORDABLE HOUSING - UNSECURED

(Previous Year figures are in brackets)  
₹ in Crore

Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
USD LIBOR + 175 bps	- -	1,805.10 -	- -	1,805.10 -
TOTAL UNSECURED	- -	1,805.10 -	- -	1,805.10 -

## Notes forming part of the standalone financial statements (Continued)

### D) TERM LOANS FROM OTHER PARTIES

(Previous Year figures are in brackets)

₹ in Crore

Term Loans from Other parties - Secured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
Asian Development Bank USD LIBOR + 40 bps	14.03 (11.86)	15.87 (13.42)	32.92 (36.94)	62.82 (62.22)
Variable linked to Bank PLR	23.32 (21.93)	26.37 (24.80)	54.71 (68.30)	104.40 (115.03)
Variable linked to G Sec	20.17 (18.97)	22.80 (21.45)	47.33 (59.08)	90.30 (99.50)
Kreditanstalt für Wiederaufbau 1.70%	- (10.65)	- -	- -	- (10.65)
National Housing Bank 6% - 8%	195.70 (202.14)	121.39 (174.20)	18.69 (61.22)	335.78 (437.56)
8.01% - 10%	510.10 (348.21)	169.82 (112.24)	91.22 (80.14)	771.14 (540.59)
10.01% - 10.20%	110.18 (93.89)	- -	- -	110.18 (93.89)
TOTAL SECURED A A	873.50 (707.65)	356.25 (346.11)	244.87 (305.68)	1,474.62 (1,359.44)
Term Loans from Other parties - Unsecured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
Kreditanstalt für Wiederaufbau 6%	17.44 (31.14)	- (3.00)	- -	17.44 (34.14)
TOTAL UNSECURED B B	17.44 (31.14)	- (3.00)	- -	17.44 (34.14)
TOTAL (SECURED & UNSECURED) A+B A+B	890.94 (738.79)	356.25 (349.11)	244.87 (305.68)	1,492.06 (1,393.58)

## Notes forming part of the standalone financial statements (Continued)

### 5. OTHER LONG-TERM LIABILITIES

₹ in Crore

Particulars	March 31, 2014	March 31, 2013
Amounts payable on swaps [Refer Note 4.7]	718.60	486.08
Interest accrued but not due on borrowings	741.83	947.42
Premium payable on redemption of Debentures	693.65	315.34
Security and other deposits received	12.55	13.11
Income received in advance	45.59	29.35
Accrued Redemption Loss on Investments	18.89	19.27
<b>Total</b>	<b>2,231.11</b>	<b>1,810.57</b>

### 6. LONG-TERM PROVISIONS

₹ in Crore

Particulars	March 31, 2014	March 31, 2013
Provision for Employee Benefits [Refer Note 27.3]	36.59	33.98
Provision for Contingencies [Refer Notes 6.1 & 6.2]	1,309.04	1,265.24
<b>Total</b>	<b>1,345.63</b>	<b>1,299.22</b>

- 6.1 Provision for Contingencies includes provisions for standard assets and all other contingencies. As per the National Housing Bank Circular No. NHB.HFC.DIR.4/CMD/2012 dated January 19, 2012 and NHB.HFC.DIR.9/CMD/2013 dated September 6, 2013, in addition to provision for non performing assets, all housing finance companies are required to carry a general provision, (i) at the rate of 1% of Standard Assets in respect of Commercial Real Estates other than Residential Housing, (ii) at the rate of 0.75% of Standard Assets in respect of Commercial Real Estate - Residential Housing and (iii) at the rate of 0.40% of the total outstanding amount of loans which are Standard Assets other than (i) & (ii) above. Loans to Individuals for 3rd dwelling units onwards shall be treated as CRE exposure.

Accordingly, the Corporation is required to carry a minimum provision of ₹ 1,012.03 crore (Previous Year ₹ 1,119.48 crore) towards standard assets.

- 6.2 Movement in Provision for Contingencies Account during the year is as under: [Refer Note 32.2]

₹ in Crore

Particulars	Current Year	Previous Year
Opening Balance	1,265.24	1,218.09
Additions during the year (Net) [Refer Note 3.2]	58.20	54.24
Utilised during the year – towards Diminution in Value of Investments [Refer Note 30.2]	(14.40)	(7.09)
<b>Closing Balance</b>	<b>1,309.04</b>	<b>1,265.24</b>

## Notes forming part of the standalone financial statements (Continued)

### 7. SHORT-TERM BORROWINGS

₹ in Crore

Particulars		March 31, 2014	March 31, 2013
Loans repayable on demand:			
From Banks - Unsecured		6.12	259.27
Deposits - Unsecured [Refer Notes 7.2 & 4.8]		5,761.63	5,655.57
Other loans and advances:			
Scheduled Banks - Secured [Refer Note 7.1]	9,800.00		3,285.00
National Housing Bank - Secured [Refer Note 7.1]	-		36.85
Scheduled Banks - Unsecured	500.00		-
Commercial Papers - Unsecured	9,575.00		9,550.00
		19,875.00	12,871.85
<b>Total</b>		<b>25,642.75</b>	<b>18,786.69</b>

- 7.1 All secured short term borrowing are secured by Negative Lien on the assets of the Corporation and mortgage of property, subject to the charge created to an extent of 5% on its Total Assets pursuant to the regulatory requirement under Section 29B of the National Housing Bank Act, 1987.
- 7.2 Deposits includes ₹ 24.80 crore (Previous Year ₹ 21.53 crore) from related parties [Refer Note 35].

### 8. TRADE PAYABLES

₹ in Crore

	March 31, 2014	March 31, 2013
Trade Payables	81.82	26.89
<b>Total</b>	<b>81.82</b>	<b>26.89</b>

- 8.1 Trade Payables include ₹ 0.10 crore (Previous Year ₹ Nil) payable to “Suppliers” registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / payable by the Corporation during the year to the “Suppliers” covered under the Micro, Small and Medium Enterprises Development Act, 2006. The above information takes into account only those suppliers who have responded to inquiries made by the Corporation for this purpose.
- 8.2 As required under Section 205C of the Companies Act, 1956, the Corporation has transferred ₹ 1.65 crore (Previous Year ₹ 1.11 crore) to the Investor Education and Protection Fund (IEPF) during the year except to the extent of ₹ 0.87 crore (Previous Year ₹ 1.15 crore) in respect of claims that are disputed. As of March 31, 2014, no amount was due for transfer to the IEPF.
- 8.3 Trade Payables includes amounts due from the related parties ₹ 19.57 crore (Previous Year ₹ Nil) [Refer Note 35].

## Notes forming part of the standalone financial statements (Continued)

### 9. OTHER CURRENT LIABILITIES

₹ in Crore

		March 31, 2014	March 31, 2013
Current maturities of long-term borrowings [Refer Note 9.3]		71,774.30	50,036.41
Interest accrued but not due on borrowings	5,385.82		4,254.18
Premium payable on redemption of Debentures	167.17		402.62
Interest accrued and due on matured deposits	55.19		33.10
Income and other amounts received in advance	184.21		223.72
Unclaimed dividend	14.36		11.61
Unclaimed matured deposits	442.56		310.11
Other payables			
- Statutory Remittances	153.23		173.86
- Financial Assistance received from Kreditanstalt für Wiederaufbau	20.93		164.78
- Amounts payable - Securitised Loans	514.84		449.39
- Amounts payable to Gratuity Fund	-		6.34
- Amounts payable on swaps [Refer Note 4.7]	167.24		102.08
- Accrued redemption loss on Investments	2.32		9.40
- Others	29.33		24.80
		7,137.20	6,165.99
		78,911.50	56,202.40

#### 9.1 Current maturities of Long-term borrowings are further sub-classified as under:

₹ in Crore

Sr. No.	Particulars	March 31, 2014	March 31, 2013
	Secured [Refer Note 9.2]		
(i)	Bonds and Debentures		
	- Bonds	5.25	5.00
	- Non-Convertible Debentures	26,995.00	20,013.30
(ii)	Term Loans from Banks		
	- Scheduled Banks	11,837.51	4,885.24
(iii)	Term Loans from other parties		
	- Asian Development Bank	26.22	24.05
	- Kreditanstalt für Wiederaufbau	12.74	10.65
	- National Housing Bank	494.18	369.14
	Total Secured	39,370.90	25,307.38
	Unsecured		
(i)	Term Loans from Banks		
	- Scheduled Banks	1,355.92	2,100.81
(ii)	Term Loans from other parties		
	- Under a line from Kreditanstalt für Wiederaufbau	16.70	5.00
(iii)	Deposits [Refer Notes 9.3 & 4.8]	31,030.78	22,623.22
	Total Unsecured	32,403.40	24,729.03
	Total	71,774.30	50,036.41



## Notes forming part of the standalone financial statements (Continued)

9.2 Secured Current maturities of long term borrowings are secured by Negative Lien on the assets of the Corporation and mortgage of properties, subject to the charge created to an extent of 5% on its Total Assets pursuant to the regulatory requirement under Section 29B of The National Housing Bank Act, 1987.

9.3 Current maturities of Non-Convertible Debentures includes ₹ 40.00 crore (Previous Year ₹ 95.00 crore) and Deposits includes ₹ 3.87 crore (Previous Year ₹ 2.69 crore) from related parties [Refer Note 35].

### 10. SHORT-TERM PROVISIONS

₹ in Crore

Particulars	March 31, 2014	March 31, 2013
Provision for Employee benefits [Refer Note 27.3]	89.87	76.01
Provision for Tax (Net of Advance Tax)	62.43	62.53
Proposed Dividend	2,184.75	1,932.93
Additional Tax on Dividend	371.30	328.50
	2,708.35	2,399.97

### 11. TANGIBLE ASSETS

(Previous Year figures are in brackets)

₹ in Crore

	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at March 31, 2013	Additions	Deductions	As at March 31, 2014	As at March 31, 2013	For the Year	Deductions	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Land:										
Freehold	15.70	-	-	15.70	-	-	-	-	15.70	15.70
	(15.70)	-	-	(15.70)	-	-	-	-	(15.70)	(15.70)
Leasehold	3.45	-	-	3.45	0.61	0.04	-	0.65	2.80	2.84
	(3.45)	-	-	(3.45)	(0.57)	(0.04)	-	(0.61)	(2.84)	(2.88)
Buildings:										
Own Use	211.08	2.11	7.41	205.78	42.44	3.35	1.38	44.41	161.37	168.64
	(211.07)	(0.05)	(0.04)	(211.08)	(39.02)	(3.44)	(0.02)	(42.44)	(168.64)	(172.05)
Leasehold Improvements	16.03	39.35	0.31	55.07	10.68	5.84	0.30	16.22	38.85	5.35
	(13.39)	(3.16)	(0.52)	(16.03)	(9.12)	(2.03)	(0.47)	(10.68)	(5.35)	(4.27)
Computer Hardware	61.23	7.83	2.15	66.91	51.79	6.79	2.15	56.43	10.48	9.44
	(56.68)	(6.26)	(1.71)	(61.23)	(47.64)	(5.85)	(1.70)	(51.79)	(9.44)	(9.04)
Furniture and Fittings:										
Own Use	52.62	13.05	4.56	61.11	42.15	4.61	3.95	42.81	18.30	10.47
	(49.18)	(3.84)	(0.40)	(52.62)	(39.48)	(3.02)	(0.35)	(42.15)	(10.47)	(9.70)
Under Operating Lease	0.71	-	-	0.71	0.62	0.01	-	0.63	0.08	0.09
	(0.71)	-	-	(0.71)	(0.60)	(0.02)	-	(0.62)	(0.09)	(0.11)
Office Equipment etc.:										
Own Use	46.36	13.15	2.40	57.11	30.42	4.85	1.70	33.57	23.54	15.94
	(42.86)	(4.45)	(0.95)	(46.36)	(28.28)	(2.85)	(0.71)	(30.42)	(15.94)	(14.58)
Under Operating Lease	0.79	-	-	0.79	0.65	0.02	-	0.67	0.12	0.14
	(0.79)	-	-	(0.79)	(0.63)	(0.02)	-	(0.65)	(0.14)	(0.16)
Vehicles:	11.12	2.02	1.41	11.73	6.77	1.58	1.14	7.21	4.52	4.35
	(10.32)	(2.19)	(1.39)	(11.12)	(6.33)	(1.52)	(1.08)	(6.77)	(4.35)	(3.99)
Leased Assets:										
Plant & Machinery *	129.18	-	-	129.18	129.18	-	-	129.18	-	-
	(129.18)	-	-	(129.18)	(129.18)	-	-	(129.18)	-	-
Vehicles *	16.37	-	-	16.37	16.37	-	-	16.37	-	-
	(16.37)	-	-	(16.37)	(16.37)	-	-	(16.37)	-	-
<b>Total</b>	<b>564.64</b>	<b>77.51</b>	<b>18.24</b>	<b>623.91</b>	<b>331.68</b>	<b>27.09</b>	<b>10.62</b>	<b>348.15</b>	<b>275.76</b>	<b>232.96</b>
Previous Year	(549.70)	(19.95)	(5.01)	(564.64)	(317.22)	(18.79)	(4.33)	(331.68)	(232.96)	(232.48)

\* Assets held for disposal

Notes :

- Buildings include ₹ Nil (Previous Year ₹ 0.01 Crore) being the cost of shares in Co-operative Housing Societies and Limited Companies.
- Depreciation charge for the financial year, excludes ₹ 2.27 Crore (Previous Year ₹ 2.42 Crore) being depreciation charge on investment in Properties.

## Notes forming part of the standalone financial statements (Continued)

### 12. INTANGIBLE ASSETS

(Previous Year figures are in brackets)  
₹ in Crore

	GROSS BLOCK			DEPRECIATION AND AMORTISATION				NET BLOCK		
	As at March 31, 2013	Additions	Deductions	As at March 31, 2014	As at March 31, 2013	For the Year	Deductions	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Computer Software	11.77	2.25	-	14.02	6.79	2.51	-	9.30	4.72	4.98
	(5.88)	(5.89)	-	(11.77)	(4.41)	(2.38)	-	(6.79)	(4.98)	(1.47)
<b>Total</b>	<b>11.77</b>	<b>2.25</b>	<b>-</b>	<b>14.02</b>	<b>6.79</b>	<b>2.51</b>	<b>-</b>	<b>9.30</b>	<b>4.72</b>	<b>4.98</b>
<i>Previous Year</i>	<i>(5.88)</i>	<i>(5.89)</i>	<i>-</i>	<i>(11.77)</i>	<i>(4.41)</i>	<i>(2.38)</i>	<i>-</i>	<i>(6.79)</i>	<i>(4.98)</i>	<i>(1.47)</i>

### 13. NON-CURRENT INVESTMENTS (AT COST)

	As at March 31, 2014 ₹ in Crore	As at March 31, 2013 ₹ in Crore
<b>Trade Investments :</b>		
Equity Shares - Subsidiaries and Associate Companies	8,242.05	8,217.70
Preference Shares - Convertible - Subsidiary Company	67.00	85.00
Debentures - Redeemable - Subsidiary Company	74.00	30.00
Venture Funds	182.80	176.80
<b>Non Trade Investments :</b>		
Equity Shares	745.59	772.07
Preference Shares - Convertible	0.50	0.50
Preference Shares - Cumulative Redeemable	5.99	5.99
Debentures and Bonds - Redeemable - for Financing Real Estate Projects	163.33	163.33
Debentures and Bonds - Redeemable - Others	20.00	59.98
Pass Through Certificates and Security Receipts - for Financing Real Estate Projects	41.91	48.77
Security Receipts - Others	21.97	22.28
Government Securities	3,719.77	2,762.58
Mutual Funds	10.00	5.00
Venture Funds	54.22	110.80
Properties [Net of Depreciation of ₹ 13.13 Crore (Previous Year ₹ 15.86 Crore)]	102.88	141.54
	<b>13,452.01</b>	<b>12,602.34</b>
Less : Provision for Diminution in Value of Investments	<b>81.72</b>	<b>70.48</b>
	<b>13,370.29</b>	<b>12,531.86</b>

## Notes forming part of the standalone financial statements (Continued)

	Book Value ₹ in Crore	Market Value ₹ in Crore
Aggregate of Quoted Investments	5,966.95	32,982.31
<i>Previous Year</i>	5,982.39	27,365.06
Aggregate of Investments listed but not quoted	3,883.10	
<i>Previous Year</i>	2,925.91	
Aggregate of Investments in Unquoted Mutual Funds (Refer note 2 below)	10.00	10.06
<i>Previous Year</i>	5.00	5.02
Aggregate of Unquoted Investments (Others)	3,407.36	
<i>Previous Year</i>	3,477.02	
Properties	102.88	
<i>Previous Year</i>	141.54	
	<b>13,370.29</b>	
<i>Previous Year</i>	<b>12,531.86</b>	

### Trade Investments :

	Number of Shares	Face Value per Share ₹	As at March 31, 2014 ₹ in Crore	Number of Shares	Face Value per Share ₹	As at March 31, 2013 ₹ in Crore
Equity Shares - Subsidiaries and Associate Companies (fully paid)						
Subsidiaries						
Credila Financial Services Pvt. Ltd.	4,22,72,003	10	47.97	1,89,38,670	10	22.97
GRUH Finance Ltd. *	10,65,38,925	2	60.74	10,65,38,925	2	60.74
HDFC Asset Management Co. Ltd.	1,50,96,600	10	235.88	1,50,96,600	10	235.88
HDFC Developers Ltd.	50,000	10	0.05	50,000	10	0.05
HDFC Education and Development Services Pvt. Ltd.	1,01,00,000	10	10.10	51,00,000	10	5.10
HDFC ERGO General Insurance Co. Ltd.	39,07,32,250	10	597.96	39,06,40,750	10	597.30
HDFC Holdings Ltd.	18,00,070	10	102.40	18,00,070	10	102.40
HDFC Investments Ltd.	2,66,70,500	10	66.15	2,66,70,500	10	66.15
HDFC Property Ventures Ltd.	10,00,000	10	1.00	10,00,000	10	1.00
HDFC Realty Ltd.	77,50,070	10	7.31	77,50,070	10	7.31
HDFC Sales Pvt. Ltd.	40,10,000	10	4.02	40,10,000	10	4.02
HDFC Standard Life Insurance Co. Ltd.	144,37,33,842	10	1,545.64	144,37,33,842	10	1,545.64
HDFC Trustee Co. Ltd.	1,00,000	10	0.10	1,00,000	10	0.10
HDFC Venture Capital Ltd.	4,02,500	10	0.40	4,02,500	10	0.40
HDFC Ventures Trustee Co. Ltd.	50,000	10	0.05	50,000	10	0.05
H T Parekh Foundation	1,00,09,990	10	10.01	1,00,09,990	10	10.01
			<b>2,689.78</b>			<b>2,659.12</b>

## Notes forming part of the standalone financial statements (Continued)

	Number of Shares	Face Value per Share ₹	As at March 31, 2014 ₹ in Crore	Number of Shares	Face Value per Share ₹	As at March 31, 2013 ₹ in Crore
<b>Associate Companies</b>						
HDFC Bank Ltd. *	39,32,11,100	2	5,549.74	39,32,11,100	2	5,549.74
IPFonline Ltd.	-	-	-	3,79,860	10	6.31
India Value Fund Advisors Pvt. Ltd.	9,75,002	4	0.03	9,75,002	4	0.03
RuralShores Business Services Pvt. Ltd.	4,76,351	10	2.50	4,76,351	10	2.50
			<u>5,552.27</u>			<u>5,558.58</u>
			<u>8,242.05</u>			<u>8,217.70</u>

\* listed shares

### Preference Shares - Convertible - Subsidiary Company (fully paid)

0.01%	Credila Financial Services Pvt. Ltd. (Compulsorily Fully Convertible)	6,69,99,956	10	67.00	4,99,99,972	10	50.00
0.01%	Credila Financial Services Pvt. Ltd. (Optionally Fully Convertible)	-	-	-	3,49,99,984	10	35.00
				<u>67.00</u>			<u>85.00</u>

	Number of Debentures/ Bonds	Face Value per Bond ₹	As at March 31, 2014 ₹ in Crore	Number of Debentures/ Bonds	Face Value per Bond ₹	As at March 31, 2013 ₹ in Crore
<b>Debentures - Redeemable - Subsidiary Company (fully paid)</b>						
12.75%	Credila Financial Services Pvt. Ltd.	100	10,00,000	100	10,00,000	10.00
12.75%	Credila Financial Services Pvt. Ltd.	100	10,00,000	100	10,00,000	10.00
12.75%	Credila Financial Services Pvt. Ltd.	100	10,00,000	100	10,00,000	10.00
12.75%	Credila Financial Services Pvt. Ltd.	100	10,00,000	-	-	-
12.75%	Credila Financial Services Pvt. Ltd.	100	10,00,000	-	-	-
12.75%	Credila Financial Services Pvt. Ltd.	90	10,00,000	-	-	-
12.75%	Credila Financial Services Pvt. Ltd.	100	10,00,000	-	-	-
12.75%	Credila Financial Services Pvt. Ltd.	50	10,00,000	-	-	-
			<u>74.00</u>			<u>30.00</u>

### Venture Funds

HDFC Investment Trust		<u>182.80</u>	<u>176.80</u>
		<u>182.80</u>	<u>176.80</u>

## Notes forming part of the standalone financial statements (Continued)

### Non - Trade Investments

	Number of Shares	Face Value per Share ₹	As at March 31, 2014 ₹ in Crore	Number of Shares	Face Value per Share ₹	As at March 31, 2013 ₹ in Crore
<b>Equity Shares (fully paid)</b>						
<b>Unlisted :</b>						
AEC Cements and Constructions Ltd.	2,80,000	10	0.28	2,80,000	10	0.28
Avantha Power & Infrastructure Ltd.	145,35,188	10	45.00	145,35,188	10	45.00
Asset Reconstruction Co. (India) Ltd.	75,41,137	10	46.37	75,41,137	10	46.37
Career Launcher Education Infrastructure & Services Ltd.	9,38,028	10	21.18	9,38,028	10	21.18
Computer Age Management Services Pvt. Ltd.	54,06,680	10	1.51	73,57,080	10	2.05
Credit Information Bureau (India) Ltd.	-	10	-	12,50,000	10	1.25
Citrus Processing India Pvt Ltd	9,28,414	10	27.49	-	-	-
Feedback Ventures Pvt. Ltd.	18,10,515	10	8.97	18,10,515	10	8.97
GVFL Ltd.	1,50,000	10	0.27	1,50,000	10	0.27
Goods & Services Tax Network	97,143	10	0.10	-	-	-
Idhasoft Ltd.	4,71,06,525	1	8.21	4,71,06,525	1	8.21
INCAB Industries Ltd.	76,188	10	0.23	76,188	10	0.23
Infrastructure Development Corporation (Karnataka) Ltd.	1,50,000	10	0.15	1,50,000	10	0.15
Infrastructure Leasing & Financial Services Ltd.	1,15,87,194	10	78.11	1,15,87,194	10	78.11
IVF Advisors Pvt. Ltd.	2,000	10	0.01	2,000	10	0.01
Kesoram Textile Mills Ltd. (received on demerger in 1999-2000)	22,258	2	-	22,258	2	-
Mahindra First Choice Wheels Ltd.	31,82,000	10	4.84	31,82,000	10	4.84
MIEL e-Security Pvt. Ltd.	1,11,112	10	4.11	1,11,112	10	4.11
National Stock Exchange of India Ltd.	73,750	10	21.45	73,750	10	21.45
Next Gen Publishing Ltd.	19,35,911	10	1.70	19,35,911	10	1.70
Novacel Life Sciences Ltd.	7,50,000	10	0.75	7,50,000	10	0.75
New India Co-operative Bank Ltd. *	-	-	-	250	10	-
OCM India Ltd.	22,56,295	10	3.41	22,56,295	10	3.41
PPN Power Generating Co. Pvt. Ltd.	-	100	-	34,25,953	100	35.37
Tamil Nadu Urban Infrastructure Financial Services Ltd.	1,50,000	10	0.15	1,50,000	10	0.15
Tamil Nadu Urban Infrastructure Trustee Co. Ltd.	15,000	10	0.02	15,000	10	0.02
The Greater Bombay Co-operative Bank Ltd.*	40	25	-	40	25	-
The Ratnakar Bank Ltd.	88,04,680	10	58.99	88,04,680	10	58.99
TVS Credit Services Ltd.	50,00,000	10	10.00	50,00,000	10	10.00
Value & Budget Housing Corporation (India) Pvt. Ltd.	2,63,626	10	8.46	6,52,674	10	20.95
Vayana Enterprises Pvt. Ltd.	10,44,776	10	3.47	10,44,776	10	3.47
			<u>355.23</u>			<u>377.29</u>
<b>Listed :</b>						
Axis Bank Ltd.	1,31,377	10	16.52	92,000	10	11.61
Andhra Cements Ltd.	2,59,57,055	10	49.82	2,59,57,055	10	49.82
BASF India Ltd.	1,89,635	10	12.74	1,89,635	10	12.74
Bharat Bijlee Ltd.	1,22,480	10	2.65	1,22,480	10	2.65
Credit Analysis and Research Ltd.	2,422	10	0.18	2,422	10	0.18
Castrol India Ltd.	1,87,483	10	3.14	2,71,970	10	4.69
Coromandel International Ltd. (received under Scheme of Arrangement in 2003-04)	2,69,330	2	-	2,69,330	2	-
Crompton Greaves Ltd.	1,68,750	2	4.27	1,68,750	2	4.27
DCB Bank Ltd. (Erstwhile Development Credit Bank Ltd.)	40,47,926	10	16.89	40,47,926	10	16.89
Engineers India Ltd.	3,11,992	5	10.86	3,11,992	5	10.86

## Notes forming part of the standalone financial statements (Continued)

Non - Trade Investments	Number of Shares	Face Value per Share ₹	As at March 31, 2014 ₹ in Crore	Number of Shares	Face Value per Share ₹	As at March 31, 2013 ₹ in Crore
Grasim Industries Ltd.	37,300	10	11.50	35,000	10	10.86
Hindustan Oil Exploration Co. Ltd.	1,48,26,303	10	105.50	1,48,26,303	10	105.50
Indian Oil Corporation Ltd.	1,51,000	10	4.94	1,51,000	10	4.94
ICICI Bank Ltd.	48,000	10	4.98	-	-	-
Indraprastha Medical Corporation Ltd.	90,00,000	10	38.65	90,00,000	10	38.65
Infosys Technologies Ltd.	33,000	5	9.69	33,000	5	9.69
IDFC Ltd.	27,94,319	10	2.79	1,70,00,000	10	17.00
ITC Ltd.	2,51,000	1	4.07	2,51,000	1	4.07
Larsen & Toubro Ltd.	52,500	2	4.88	-	-	-
Mahindra & Mahindra Ltd.	3,15,000	5	5.87	3,15,000	5	5.87
Nestle India Ltd.	8,200	10	3.49	8,200	10	3.49
Nirlon Ltd.	9,09,000	10	5.00	9,09,000	10	5.00
NMDC Ltd.	1,66,660	1	5.00	1,66,660	1	5.00
Oil & Natural Gas Corporation Ltd.	2,10,000	5	6.97	2,10,000	5	6.97
Reliance Industries Ltd.	1,41,169	10	14.36	1,41,169	10	14.36
Shipping Corporation of India Ltd.	1,28,439	10	1.80	1,28,439	10	1.80
Siemens Ltd.	7,87,707	2	27.81	10,43,100	2	36.83
State Bank of India	40,000	10	8.09	15,000	10	3.14
Tata Steel Ltd.	1,36,448	10	7.90	1,36,448	10	7.90
			<u>390.36</u>			<u>394.78</u>
			<u>745.59</u>			<u>772.07</u>

\* Amount less than ₹ 50,000

	Number of Shares	Face Value per Share ₹	As at March 31, 2014 ₹ in Crore	Number of Shares	Face Value per Share ₹	As at March 31, 2013 ₹ in Crore
<b>Preference Shares - Convertible (fully paid)</b>						
0.02% Ziqitza Healthcare Ltd. (Compulsorily Fully Convertible Preference Shares)	2,350	10	0.50	2,350	10	0.50
			<u>0.50</u>			<u>0.50</u>
<b>Preference Shares - Cumulative Redeemable (fully paid)</b>						
0.001% BPL Ltd.	5,99,014	100	5.99	5,99,014	100	5.99
			<u>5.99</u>			<u>5.99</u>

	Number of Debentures/ Bonds	Face Value per Debenture/ Bond ₹	As at March 31, 2014 ₹ in Crore	Number of Debentures/ Bonds	Face Value per Debenture/ Bond ₹	As at March 31, 2013 ₹ in Crore
<b>Debentures and Bonds - Redeemable</b>						
- for financing Real Estate Projects (fully paid)						
- Zero Coupon Bonds						
- Listed Unquoted						
NHB Sumeru Zero Coupon Bonds (Refer Note 3 below) (yield to maturity - 9%)	1,50,000	10,000	63.33	1,50,000	10,000	63.33
Trent Ltd. (yield to maturity - 10%)	1,000	10,00,000	100.00	1,000	10,00,000	100.00
			<u>163.33</u>			<u>163.33</u>



## Notes forming part of the standalone financial statements (Continued)

	Number of Debentures/ Bonds	Face Value per Debenture/ Bond ₹	As at March 31, 2014 ₹ in Crore	Number of Debentures/ Bonds	Face Value per Debenture/ Bond ₹	As at March 31, 2013 ₹ in Crore
<b>Debentures and Bonds - Redeemable - Others</b>						
<b>(fully paid)</b>						
<b>- Unlisted</b>						
5.64% Mandava Holdings Private Limited (yield to maturity - 14.10%)	-	-	-	8	5,00,00,000	39.98
3% Feedback Infrastructure Services Pvt. Ltd. (yield to maturity -13%)	2,00,000	1,000	20.00	2,00,000	1,000	20.00
			<u>20.00</u>			<u>59.98</u>
			As at March 31, 2014 ₹ in Crore			As at March 31, 2013 ₹ in Crore
<b>Pass Through Certificates &amp; Security Receipts</b>						
<b>- for financing Real Estate Projects</b>						
Pass Through Certificates			21.94			28.80
Security Receipts			<u>19.97</u>			<u>19.97</u>
			<u>41.91</u>			<u>48.77</u>
<b>- Others</b>						
Security Receipts			<u>21.97</u>			<u>22.28</u>
			<u>21.97</u>			<u>22.28</u>
<b>Government Securities</b>						
Government of India Loans			<u>3,719.77</u>			<u>2,762.58</u>
<b>Schemes of Mutual Funds</b>						
HDFC Mutual Fund			<u>10.00</u>			<u>5.00</u>
			<u>10.00</u>			<u>5.00</u>
<b>Venture Funds</b>						
Faering Capital India Evolving Fund			17.06			11.54
Gaja Capital India Fund			8.40			8.10
HDFC Property Fund - Scheme HDFC India Real Estate Fund			-			37.90
India Value Fund			12.98			38.85
India Venture Trust			5.00			4.85
Kaizen Domestic Scheme 1			5.50			4.50
Tata Capital Growth Fund			<u>5.28</u>			<u>5.06</u>
			<u>54.22</u>			<u>110.80</u>

### Notes :

- 1) Unquoted investments include ₹ 6.08 Crore (Previous Year ₹ 9.71 Crore) in respect of equity shares, which are subject to a lock-in period and include ₹ 35.96 Crore (Previous Year ₹ 20.95 Crore) in respect of equity shares, which are subject to restrictive covenant. Quoted investments include ₹ 60.74 Crore (Previous Year ₹ 60.74 Crore) in respect of equity shares, which are subject to restrictive covenant.
- 2) Market value of Investments in Unquoted Mutual Funds represents the repurchase price of the units issued by the Mutual Funds.
- 3) NHB Sumeru Zero Coupon Bonds are held as Capital Assets under Section 2(48) of the Income Tax Act, 1961.

## Notes forming part of the standalone financial statements (Continued)

### 14. DEFERRED TAX ASSET

In compliance with the Accounting Standard relating to 'Accounting for Taxes on Income' (AS 22), notified by the Companies (Accounting Standards) Rules, 2006, the Corporation has taken debit of ₹ 27.00 Crore (Previous Year credit of ₹ 3.18 Crore) in the Statement of Profit and Loss for the year ended March 31, 2014 towards deferred tax asset (net) for the year, arising on account of timing differences and ₹ 25.49 Crore (Previous Year ₹ Nil) has been adjusted against the utilisation from Statutory Reserve (As per Section 29C of National Housing Bank Act, 1987) as per Note 3.2.

The major components of deferred tax assets and liabilities are :

₹ in Crore

Particulars	Assets		Liabilities	
	Current Year	Previous Year	Current Year	Previous Year
a) Depreciation	-	-	50.66	49.82
b) Provision for Contingencies	669.62	630.67	-	-
c) Provision for Employee Benefits	31.16	26.12	-	-
d) Accrued Redemption Loss (net)	7.21	9.74	-	-
e) Others (net)	-	14.67	27.46	-
<b>Total</b>	<b>707.99</b>	<b>681.20</b>	<b>78.12</b>	<b>49.82</b>
<b>Net Deferred Tax Asset</b>	<b>629.87</b>	<b>631.38</b>		

### 15. LONG-TERM LOANS AND ADVANCES

₹ in Crore

Particulars		As at March 31, 2014	As at March 31, 2013
<b>Loans: [Refer Notes 15.3, 15.4 &amp; 15.5]</b>			
- Individuals		1,25,768.44	1,04,820.04
- Corporate Bodies		48,785.08	46,037.06
- Others		1,738.52	1,249.10
		1,76,292.04	1,52,106.20
Less: Provision for Sub-standard and Doubtful loans [Refer Notes 6.1 & 15.6] (including additional provision made by the Corporation)		(545.96)	(475.33)
		1,75,746.08	1,51,630.87
<b>Others:</b>			
Capital Advances - Unsecured; considered good	3.99		11.45
Security Deposits - Unsecured; considered good	311.35		166.98
Instalments due from borrowers - Secured; Considered doubtful	83.92		79.17
<b>Other Long-term Loans and Advances:</b>			
- Staff Loans Others - Secured; considered good [Refer Note 15.1]	14.95		14.75
- Prepaid Expenses - Unsecured; considered good	61.54		112.14
- Advance Tax (Net of Provision)	1,979.75		1,433.07
		2,455.50	1,817.56
<b>Total</b>		<b>1,78,201.58</b>	<b>1,53,448.43</b>

## Notes forming part of the standalone financial statements (Continued)

- 15.1 Loans includes amounts due from the directors ₹ 0.13 crore (Previous Year ₹ 0.15 crore) [Refer Note 35].
- 15.2 Investments in Debentures, Pass Through Certificates and Security Receipts amounting to ₹ 205.24 crore (Previous Year ₹ 212.10 crore) are towards financing Real Estate Projects. The Debentures, Pass Through Certificates and Security Receipts are reflected in Note 13.
- 15.3 Loans granted by the Corporation aggregating to ₹ 1,74,277.73 crore (Previous Year ₹ 1,50,245.05 crore) are secured or partly secured by:
- Equitable mortgage of property and / or
  - Pledge of shares, units, other securities, assignment of life insurance policies and / or
  - Hypothecation of assets and / or
  - Bank guarantees, company guarantees or personal guarantees and / or
  - Negative lien and / or
  - Assignment of hire purchase receivables and / or
  - Undertaking to create a security.
- 15.4 Loans include ₹ 35.31 crore (Previous Year ₹ 27.99 crore) in respect of properties held for disposal under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- 15.5 Long-term loans and advances includes Sub-Standard and Doubtful loans of ₹ 1,413.12 crore (Previous Year ₹ 1,198.86 crore).
- 15.6 Movement in Provision for Sub-Standard and Doubtful Loans is as under: [Refer Note 32.2]

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Opening Balance	475.33	452.89
Additions during the year (Net) [Refer Note 3.2]	116.80	39.05
Utilised during the year – towards Loans written off	(46.17)	(16.61)
Closing Balance	545.96	475.33

## 16. OTHER NON-CURRENT ASSETS

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Unamortised discount on Non-Convertible Debentures	2.24	20.22
Receivables on Securitised Loans	331.57	269.63
Forward Receivable	104.00	-
Interest accrued but not due on Loans	356.99	230.20
Interest accrued but not due on Bank Deposits	0.02	0.01
Income accrued but not due on Investments	56.31	21.64
Advance against Investment in Properties	184.82	52.43
Bank Deposits with maturities beyond twelve months from the Balance Sheet date [Refer Note 16.1]	62.95	62.34
Total	1,098.90	656.47

- 16.1 Bank deposits with maturities beyond twelve months includes earmarked balances ₹ 62.82 crore (Previous Year ₹ 62.23 crore) against foreign currency loans and ₹ 0.13 crore (Previous Year ₹ 0.11 crore) towards letter of credit issued by Bank.

## Notes forming part of the standalone financial statements (Continued)

### 17. CURRENT INVESTMENTS

	As at March 31, 2014 ₹ in Crore	As at March 31, 2013 ₹ in Crore
<b>Held as Current Investments</b>		
(At cost or market value whichever is lower unless stated otherwise)		
<b>Trade Investments:</b>		
Equity Shares - Subsidiary Companies	108.67	-
Debentures - Convertible - Subsidiary Companies - for Financing Real Estate Projects - Redeemable	265.18	-
<b>Non-Trade Investments:</b>		
Debentures and Bonds - Redeemable	20.00	45.00
Certificate of Deposits	-	522.99
<b>Current maturities of Long-Term Investments (at cost):</b>		
Debentures and Bonds - Redeemable	19.99	2.00
Government Securities	42.60	74.69
Venture Funds & Other Funds	86.07	437.06
	<u>542.51</u>	<u>1,081.74</u>
Less : Provision for Diminution in Value of Investments	0.15	0.14
	<u>542.36</u>	<u>1,081.60</u>
	<b>Book Value</b> ₹ in Crore	<b>Market Value</b> ₹ in Crore
<b>Aggregate of Quoted Investments</b>	10.00	9.85
<i>Previous Year</i>	34.86	36.14
<b>Aggregate of Investments listed but not quoted</b>	52.60	
<i>Previous Year</i>	84.69	
<b>Aggregate of Unquoted Investments (Others)</b>	479.76	
<i>Previous Year</i>	962.05	
	<u>542.36</u>	
<i>Previous Year</i>	<u>1,081.60</u>	

	Number of Shares/ Debentures	Face Value per Share/ Debentures ₹	As at March 31, 2014 ₹ in Crore	Number of Shares/ Debentures	Face Value per Share/ Debentures ₹	As at March 31, 2013 ₹ in Crore
<b>Held as Current Investments</b>						
<b>Trade Investments :</b>						
<b>Equity Shares - Subsidiary Companies (fully paid)*</b>						
Grandeur Properties Pvt. Ltd.	10,000	10	49.80	-	-	-
Windermere Properties Pvt. Ltd.	10,000	10	56.68	-	-	-
Winchester Properties Pvt. Ltd.	10,000	10	2.19	-	-	-
Pentagram Properties Pvt. Ltd.	10,000	10	-	-	-	-
Haddock Properties Pvt. Ltd.	10,000	10	-	-	-	-
			<u>108.67</u>			<u>-</u>
<b>Debentures - Convertible - Subsidiary Companies - for Financing Real Estate Projects - Redeemable (fully paid)*</b>						
6.40% Haddock Properties Pvt. Ltd.	6,981	100,000	56.39	-	-	-
9.00% Pentagram Properties Pvt. Ltd.	5,532	100,000	54.47	-	-	-
6.50% Winchester Properties Pvt. Ltd.	3,912	100,000	39.12	-	-	-
7.70% Windermere Properties Pvt. Ltd.	11,520	100,000	115.20	-	-	-
			<u>265.18</u>			<u>-</u>

\* received in specie distribution

## Notes forming part of the standalone financial statements (Continued)

		Number of Debentures/ Bonds	Face Value per Debenture/ Bond ₹	As at March 31, 2014 ₹ in Crore		Number of Debentures/ Bonds	Face Value per Debenture/ Bond ₹	As at March 31, 2013 ₹ in Crore
<b>Non-Trade Investments</b>								
<b>Debentures and Bonds - Redeemable (fully paid)</b>								
<b>- Listed Unquoted</b>								
11.25%	DCB Bank Ltd. (Erstwhile Development Credit Bank Ltd.)	100	10,00,000	10.00		100	10,00,000	10.00
<b>- Listed Quoted</b>								
9.00%	Coromandel International Ltd. (bonus)	-	-	-		2,69,330	15	-
12.00%	Muthoot Finance Ltd.	-	-	-		2,50,000	1,000	25.00
12.15%	Religare Finvest Ltd.	1,00,000	1,000	10.00		1,00,000	1,000	10.00
				<u>20.00</u>				<u>45.00</u>
				As at March 31, 2014 ₹ in Crore				As at March 31, 2013 ₹ in Crore
<b>Certificate of Deposits</b>								
	State Bank of Bikaner and Jaipur (yield to maturity - 14%)			-				99.58
	Corporation Bank (yield to maturity - 14%)			-				248.95
	Kotak Mahindra Bank Ltd. (yield to maturity - 14%)			-				174.46
				<u>-</u>				<u>522.99</u>
<b>Current maturities of Long Term Investments (at cost)</b>								
		Number of Debentures/ Bonds	Face Value per Debenture/ Bond ₹	As at March 31, 2014 ₹ in Crore		Number of Debentures/ Bonds	Face Value per Debenture/ Bond ₹	As at March 31, 2013 ₹ in Crore
<b>Debentures and Bonds - Redeemable - Others (fully paid)</b>								
<b>- Unlisted</b>								
5.64%	Mandava Holdings Private Limited (yield to maturity - 14.10%)	4	250,00,000	19.99		-	-	-
6.50%	Indian Association for Savings and Credit	-	-	-		20,00,000	10	2.00
				<u>19.99</u>				<u>2.00</u>
				As at March 31, 2014 ₹ in Crore				As at March 31, 2013 ₹ in Crore
<b>Government Securities</b>								
	Government of India Loans			<u>42.60</u>				<u>74.69</u>
<b>Venture Funds and Other Funds</b>								
	India Value Fund			41.98				11.06
	Tamil Nadu Urban Development Fund			16.71				16.72
	HDFC Property Fund - Scheme HDFC India Real Estate Fund			27.38				-
	HDFC Property Fund - Scheme HDFC IT Corridor Fund			-				409.28
				<u>86.07</u>				<u>437.06</u>

## Notes forming part of the standalone financial statements (Continued)

### 18. TRADE RECEIVABLES

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Trade Receivables - Unsecured; Considered Good, less than six months	84.52	1.32
<b>Total</b>	<b>84.52</b>	<b>1.32</b>

18.1 Trade Receivables includes amounts due from the related parties ₹ 71.60 Crore (Previous Year ₹ 0.01 Crore) [Refer Note 35].

### 19. CASH AND BANK BALANCES

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Cash and cash equivalents		
(i) Balances with banks:		
In Current Accounts	2,083.40	786.20
In Deposit accounts with original maturity less than 3 months	3,525.00	2,500.00
(ii) Cash on hand	0.50	0.88
(iii) Cheques on hand	25.82	36.97
	5,634.72	3,324.05
(b) Other Bank balances		
(i) Earmarked balances with banks		
- Unclaimed Dividend Account	14.36	11.61
- Towards Guarantees Issued by Banks	0.14	0.12
- Other - Against Foreign Currency Loans [Refer Note 4.4]	6.40	5.41
(ii) Short-term bank deposits	2,059.90	2,409.95
<b>Total</b>	<b>7,715.52</b>	<b>5,751.14</b>

### 20. SHORT-TERM LOANS AND ADVANCES

₹ in Crore

Particulars		As at March 31, 2014	As at March 31, 2013
<b>Loans: [Refer Note 20.1]</b>			
Current maturities of long-term loans and advances	18,310.72		16,784.61
Corporate Bodies	2,497.59		1,155.36
		20,808.31	17,939.97
<b>Others:</b>			
Current maturities of Staff Loans-others - Secured; Considered good	3.75		3.54
Corporate Deposits [Refer Notes 20.2, 20.3 & 20.5]	1,405.01		1,688.72
Instalments due from borrowers - Secured; Considered good	763.72		706.71
Other Advances - Unsecured; Considered good [Refer Note 20.4]	24.97		28.53
Prepaid Expenses - Unsecured; Considered good	96.46		28.27
Security Deposits - Unsecured; Considered good	11.45		6.12
Others - Unsecured; Considered doubtful	49.71		49.71
	2,355.07		2,511.60
Less : Provision for Doubtful Receivables [Refer Notes 3.2 & 32.1]	51.71		51.71
<b>Sub Total</b>		<b>2,303.36</b>	<b>2,459.89</b>
<b>Total</b>		<b>23,111.67</b>	<b>20,399.86</b>



## Notes forming part of the standalone financial statements (Continued)

- 20.1 Loans granted by the Corporation aggregating ₹ 19,343.97 crore (Previous Year ₹ 16,933.97 crore) are secured and considered good [Refer Note 15.3].
- 20.2 Out of the Corporate Deposits, amounts aggregating to ₹ 601.65 crore (Previous Year ₹ 1,192.42 crore) are secured and considered good [Refer Note 15.3] and amounts aggregating to ₹ 2.00 crore (Previous Year ₹ 2.00 crore) are considered as doubtful.
- 20.3 Corporate Deposits includes amounts due from the related parties ₹ 25.00 crore (Previous Year ₹ 10.00 crore) [Refer Note 35].
- 20.4 Other Advances includes amounts due from the related parties ₹ 9.51 crore (Previous Year ₹ 10.05 crore) [Refer Note 35].
- 20.5 Investments in Debentures and Corporate Deposits amounting to ₹ 547.93 crore (Previous Year ₹ 1,017.66 crore) are towards financing Real Estate Projects. The Debentures are reflected in Note 17.
- 20.6 Current maturities of staff loans includes amounts due from the directors ₹ 0.02 crore (Previous Year ₹ 0.02 crore) [Refer Note 35].

### 21. OTHER CURRENT ASSETS

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Unamortised Discount on Commercial Paper	324.90	242.13
Receivables on Securitised Loans	30.11	18.04
Interest accrued but not due on Loans	206.31	160.45
Interest accrued and due on Loans	5.65	-
Income accrued but not due on Investments	105.41	73.41
Interest accrued but not due on Corporate Deposits	38.53	125.93
Interest accrued and due on Corporate Deposits	10.39	-
Application money - Investments	0.90	1.00
<b>Total</b>	<b>722.20</b>	<b>620.96</b>

### 22. CONTINGENT LIABILITIES AND COMMITMENTS

- 22.1 Contingent Liability in respect of guarantees provided by the Corporation aggregated to ₹ 435.26 Crore (Previous Year ₹ 203.00 Crore).
- 22.2 Contingent liability in respect of income-tax demands, net of amounts provided for and disputed by the Corporation, amounts to ₹ 919.19 crore (Previous Year ₹ 818.73 crore). The matters in dispute are under appeal. The said amount has been paid/adjusted and will be received as refund if the matters are decided in favour of the Corporation.
- 22.3 Contingent Liability in respect of corporate undertakings provided by the Corporation for securitisation of receivables aggregated to ₹ 1,943.05 crore (Previous Year ₹ 1,939.31 crore). The outflows would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitised receivables.
- 22.4 Contingent Liability in respect of disputed dues towards wealth tax, interest on lease tax and payment towards employers' contribution to ESIC not provided for by the Corporation amounts to ₹ 0.15 crore (Previous Year ₹ 0.15 crore).
- 22.5 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 59.30 crore (Previous Year ₹ 102.34 crore).

## Notes forming part of the standalone financial statements (Continued)

### 23. REVENUE FROM OPERATIONS

₹ in Crore

Particulars	Current Year	Previous Year
<b>Interest Income :</b>		
- Interest on Loans	21,870.87	18,989.90
- Other Interest [Refer Note 23.1]	822.30	827.27
- Net Gain on foreign currency transactions and translation	1.78	1.18
Income from Leases	10.92	4.26
Dividends [Refer Note 23.2]	555.59	480.66
Surplus from deployment in Cash Management Schemes of Mutual Funds [Refer Note 23.3]	337.38	252.34
Fees and Other Charges [Refer Note 23.4]	295.19	241.34
<b>Total</b>	<b>23,894.03</b>	<b>20,796.95</b>

- 23.1 a) Other Interest includes Interest on Investments amounting to ₹ 372.38 crore (Previous Year ₹ 328.99 crore), including ₹ 8.18 crore (Previous Year ₹ 9.79 crore) in respect of current investments.
- b) Other Interest includes Interest on Income Tax Refund ₹ 33.78 crore (Previous Year ₹ 5.83 crore) .
- 23.2 a) Dividend income includes ₹ 308.86 crore (Previous Year ₹ 269.42 crore) received from Subsidiary Companies [Refer Note 35].
- b) Dividend income includes ₹ Nil (Previous Year ₹ 0.38 crore) in respect of current investments.
- 23.3 Surplus from deployment in Cash Management Schemes of Mutual Funds amounting to ₹ 337.38 crore (Previous Year ₹ 252.34 crore) is in respect of investments held as current investments.
- 23.4 Fees and Other Charges is net of the amounts paid to Direct Selling Agents ₹ 307.82 crore (Previous Year ₹ 264.00 crore).
24. a) Profit on sale of investments includes profit of ₹ 0.40 crore (Previous Year ₹ 0.83 crore) in respect of investments held as current investments.
- b) Profit on sale of investments is net of loss of ₹ 0.01 crore (Previous Year ₹ Nil) on account of sale of IPF Online Ltd. (Associate Company) and includes profit of ₹ Nil (Previous Year ₹ 0.77 crore) on account of sale of shares of Indian Association for Savings and Credit (Associate Company).
25. Other Income includes rent of ₹ 9.19 crore (Previous Year ₹ 10.15 crore), of which ₹ Nil (Previous Year ₹ 0.10 crore) is in respect of rent for certain assets given on operating lease and also includes sub-lease payments received ₹ Nil (Previous Year ₹ 0.31 crore) in respect of a property acquired under operating lease as per Note 28.1.

#### 25.1 Earnings in foreign currency :

₹ in Crore

Particulars	Current Year	Previous Year
Interest on Bank Deposits	2.87	3.59
Consultancy and other fees	9.71	12.52

- 25.2 In accordance with the Accounting Standard on 'Leases' (AS 19), notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of Operating Leases are made :

Income from Leases includes ₹ 4.71 crore (Previous Year ₹ 4.14 crore) in respect of properties and certain assets leased out by the Corporation under Operating Leases. Out of the above, in respect of the non-cancellable leases, the future minimum lease payments are as follows:

## Notes forming part of the standalone financial statements (Continued)

₹ in Crore		
Period	Current Year	Previous Year
Not later than one year	4.11	2.63
Later than one year but not later than five years	5.02	3.58
Later than five years	-	-

### 26. FINANCE COST

₹ in Crore			
Particulars		Current Year	Previous Year
<b>Interest</b>			
- Loans	2,060.83		2,187.03
- Deposits	5,274.26		4,456.86
- Bonds and Debentures	7,567.45		5,916.46
- Commercial Paper	884.84		1,073.64
		15,787.38	13,633.99
Net Loss on foreign currency transactions and translation [Refer Note 26.2]		137.39	165.78
Other charges [Refer Note 26.1]		104.60	91.12
<b>Total</b>		<b>16,029.37</b>	<b>13,890.89</b>

26.1 Other Charges is net of Exchange gain ₹ 0.66 crore (Previous Year includes exchange loss of ₹ 0.10 crore).

26.2 A net gain of ₹ 53.03 crore (Previous Year ₹ 53.23 crore) has been recognised in the Statement of Profit and Loss being net gain on translation of foreign currency monetary assets and liabilities as shown below:

₹ in Crore		
Particulars	Current Year	Previous Year
Exchange (Gain) / Loss on Translation		
- Foreign Currency Denominated Assets and Foreign Currency Borrowings [Refer Note 3.6]	(198.80)	(131.72)
- Cross Currency Interest Rate Swaps [Refer Note 4.7]	145.77	78.49
Net Exchange (Gain) / Loss on Translation [Refer Note 3.6]	(53.03)	(53.23)

26.3 Expenditure in foreign currency :

₹ in Crore		
Particulars	Current Year	Previous Year
Interest and Other Charges on Loans	7.39	27.95
Others	22.91	23.01

### 27. STAFF EXPENSES [Refer Note 27.3]

₹ in Crore		
Particulars	Current Year	Previous Year
Salaries and Bonus [Refer Notes 27.1 & 27.2]	225.96	196.84
Contribution to Provident Fund and Other Funds	40.68	38.02
Staff Training and Welfare Expenses	12.54	11.33
<b>Total</b>	<b>279.18</b>	<b>246.19</b>

27.1 Salaries and Bonus include ₹ 12.49 crore (Previous Year ₹ 12.03 crore) towards provision made in respect of accumulated leave salary and leave travel assistance which is in the nature of Long Term Employee Benefits and has been actuarially determined as per the Accounting Standard on Employee Benefits (AS 15) notified by the Companies (Accounting Standards) Rules, 2006.

## Notes forming part of the standalone financial statements (Continued)

27.2 Expenditure shown in Note 27 is net of recovery from subsidiary companies in respect of Salaries ₹ 2.68 crore (Previous Year ₹ 3.00 crore).

### 27.3 EMPLOYEE BENEFITS

In accordance with the Accounting Standard on Employee Benefits (AS 15) notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures have been made:

The Corporation has recognised the following amounts in the Statement of Profit and Loss which are included as under :

₹ in Crore		
Particulars	Current Year	Previous Year
Provident Fund	11.88	9.96
Superannuation Fund	8.69	7.14
Employees' Pension Scheme-1995	1.30	1.22

The Rules of the Corporation's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Corporation.

The details of the Corporation's post-retirement benefit plans for its employees including whole-time directors are given below which is as certified by the actuary and relied upon by the auditors:

₹ in Crore		
Particulars	Current Year	Previous Year
<b>Change in the Benefit Obligations:</b>		
Liability at the beginning of the year	128.13	107.69
Current Service Cost	4.94	4.21
Interest Cost	10.53	9.14
Benefits Paid	(7.74)	(6.48)
Actuarial loss	10.50	13.57
Liability at the end of the year *	146.36	128.13
* The Liability at the end of the year ₹ 146.36 crore (Previous Year ₹ 128.13 crore) includes ₹ 37.12 crore (Previous Year ₹ 34.52 crore) in respect of an un-funded plan.		
<b>Fair Value of Plan Assets:</b>		
Fair Value of Plan Assets at the beginning of the year	87.51	75.56
Expected Return on Plan Assets	7.53	7.65
Contributions	16.11	10.46
Actuarial loss on Plan Assets	(3.01)	(6.16)
Fair Value of Plan Assets at the end of the year	108.14	87.51
Total Actuarial loss to be recognised	(13.51)	(19.73)
<b>Actual Return on Plan Assets:</b>		
Expected Return on Plan Assets	7.53	7.65
Actuarial Loss on Plan Assets	(3.01)	(6.16)
Actual Return on Plan Assets	4.52	1.49

## Notes forming part of the standalone financial statements (Continued)

₹ in Crore

Particulars	Current Year	Previous Year
<b>Reconciliation of the Liability Recognised in the Balance Sheet:</b>		
Opening Net Liability	40.62	32.13
Expense recognised	21.45	25.43
Contribution by the Corporation	(16.11)	(10.46)
Benefits paid by the Corporation / Insurance Companies	(7.74)	(6.48)
Amount recognised in the Balance Sheet under "Provision for Employee Benefits" ₹ 38.22 crore (Previous Year ₹ 34.52 crore) and under "Other current liabilities" ₹ Nil (Previous Year ₹ 6.10 crore).	38.22	40.62
<b>Expense Recognised in the Statement of Profit and Loss :</b>		
Current Service Cost	4.94	4.21
Interest Cost	10.53	9.14
Expected Return on Plan Assets	(7.53)	(7.65)
Net Actuarial loss to be recognised	13.51	19.73
Expense recognised in the Statement of Profit and Loss under "Staff Expenses"	21.45	25.43

₹ in Crore

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Amount Recognised in the Balance Sheet:</b>					
Liability at the end of the year	146.36	128.13	107.69	94.24	81.40
Fair Value of Plan Assets at the end of the year	108.14	87.51	75.56	60.17	53.86
Amount recognised in the Balance Sheet under "Provision for Employee Benefits" and "Other Current Liabilities"	38.22	40.62	32.13	34.07	27.54
<b>Experience Adjustment :</b>					
On Plan Liabilities	20.44	17.25	10.58	7.13	7.04
On Plan Assets	(3.01)	(6.16)	(4.61)	(3.36)	(2.91)
Estimated Contribution for next year	6.19	8.03	6.79	5.79	4.72

### Investment Pattern:

Particulars	% Invested Current Year	% Invested Previous Year
Central Government securities	17.37	23.13
State Government securities / Securities guaranteed by State / Central Government	12.00	1.00
Public Sector / Financial Institutional Bonds	23.75	27.56
Private Sector Bonds	16.90	10.91
Special Deposit Scheme	2.04	2.52
Certificate of Deposits	1.31	1.69
Deposits with Banks and Financial Institutions	3.07	3.47
Equity Shares	19.37	20.52
Others (including bank balances)	4.19	9.20
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at.

## Notes forming part of the standalone financial statements (Continued)

### Principal Assumptions:

Particulars	Current Year	Previous Year
	%	%
Discount Rate	9.31	8.25
Return on Plan Assets	8.70	8.60
Salary Escalation	5.00	5.00

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

### 28. ESTABLISHMENT EXPENSES

₹ in Crore

	Current Year	Previous Year
Rent [Refer Note 28.1]	60.54	52.73
Rates and Taxes	3.54	3.34
Repairs and Maintenance - Buildings	5.80	5.72
General Office Expenses	2.58	1.97
Electricity Charges	13.80	11.30
Insurance Charges	0.72	0.62
Total	86.98	75.68

- 28.1 In accordance with the Accounting Standard on 'Leases' (AS 19), notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of Operating Leases are made :

The Corporation has acquired properties under non-cancellable operating leases for periods ranging from 12 months to 60 months. The total minimum lease payments for the current year, in respect thereof, included under Rent, amounts to ₹ 32.72 crore (Previous Year ₹ 26.79 crore). Out of the above, the Corporation has sub-leased a property, the total sub-lease payments received in respect thereof amounting to ₹ 18.79 crore (Previous Year ₹ 14.09 crore) have been netted off from rent expenses and an amount of ₹ Nil (Previous Year ₹ 0.31 crore) has been included under Other Income. The future minimum lease payments in respect of the properties acquired under non-cancellable operating leases are as follows:

₹ in Crore

Period	Current Year	Previous Year
Not later than one year	31.39	32.50
Later than one year but not later than five years	75.26	106.54
Later than five years	-	-

### 29. OTHER EXPENSES

₹ in Crore

Particulars	Current Year ₹ in Crore	Previous Year ₹ in Crore
Travelling and Conveyance	17.03	16.63
Printing and Stationery	8.06	7.00
Postage, Telephone and Fax	21.28	19.92
Advertising	35.07	24.06
Repairs and Maintenance - Other than Buildings	7.07	6.75
Office Maintenance	19.56	16.97
Legal Expenses	9.63	14.45
Computer Expenses	12.60	10.17
Directors' Fees and Commission	3.34	3.13
Miscellaneous Expenses [Refer Notes 29.1 & 29.2]	93.08	71.27
Auditors' Remuneration [Refer Note 29.3]	3.31	3.08
Total	230.03	193.43



## Notes forming part of the standalone financial statements (Continued)

- 29.1 Miscellaneous Expenses exclude ₹ 13.02 crore (Previous Year ₹ 9.13 crore) in respect of amounts utilised out of Shelter Assistance Reserve during the year.
- 29.2 Miscellaneous Expenses include Provision for Wealth Tax amounting to ₹ 0.60 crore (Previous Year ₹ 0.60 crore) and Securities Transaction Tax amounting to ₹ 0.26 crore (Previous Year ₹ 0.45 crore).
- 29.3 Auditors' Remuneration:

₹ in Crore

	Current Year	Previous Year
Audit Fees	1.05	1.05
Tax Matters	0.79	0.84
Other Matters	1.43	1.00
Reimbursement of Expenses	0.04	0.01
Service Tax	0.42	0.36
Less: Service tax input credit availed	(0.21)	(0.18)
Less: Service tax input credit expensed	(0.21)	-
Total	3.31	3.08

Audit Fees include ₹ 0.03 crore (Previous Year ₹ 0.03 crore) paid to Branch Auditors.

## 30. PROVISION FOR NON-PERFORMING LOANS

- 30.1 As per the Housing Finance Companies (NHB) Directions, 2010, non-performing assets are recognised on the basis of ninety days overdue. The total provision carried by the Corporation in terms of paragraph 29 (2) of the Housing Finance Companies (NHB) Directions, 2010 and NHB circular NHB.HFC.DIR-3/CMD/2011 dated August 5, 2011 in respect of Housing and Non-Housing Loans is as follows [Refer Note 15]:

₹ in Crore

Particulars	Sub-Standard Assets		Doubtful Assets	
	Current Year	Previous Year	Current Year	Previous Year
Housing	61.58	52.60	195.95	179.31
Non-Housing	90.45	121.78	100.24	32.48

- 30.2 Provision for Contingencies debited to the Statement of Profit and Loss includes Provision for Diminution in the Value of Investments amounting to ₹ 14.40 crore (Previous Year ₹ 7.09 crore). The balance of the Provision represents provision made against non-performing assets and other contingencies [Refer Note 6.2].
31. In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), notified by the Companies (Accounting Standards) Rules, 2006 :
- (i) In calculating the Basic Earnings Per Share, the Profit After Tax of ₹ 5,440.24 crore (Previous Year ₹ 4,848.34 crore) has been adjusted for amounts utilised out of Shelter Assistance Reserve of ₹ 13.02 crore (Previous Year ₹ 9.13 crore).

Accordingly the Basic Earnings Per Share has been calculated based on the adjusted Profit After Tax of ₹ 5,427.22 crore (Previous Year ₹ 4,839.21 crore) and the weighted average number of shares during the year of 155.54 crore (Previous Year 151.97 crore).

## Notes forming part of the standalone financial statements (Continued)

- (ii) The reconciliation between the Basic and the Diluted Earnings Per Share is as follows :

Amount in ₹

Particulars	Current Year	Previous Year
Basic Earnings Per Share	34.89	31.84
Effect of outstanding Stock Options	(0.27)	(0.39)
Diluted Earnings Per Share	34.62	31.45

- (iii) The Basic Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares for the respective periods; whereas the Diluted Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options for the respective periods. The relevant details as described above are as follows :

Number in Crore

Particulars	Current Year	Previous Year
Weighted average number of shares for computation of Basic Earnings Per Share	155.54	151.97
Diluted effect of outstanding Stock Options	1.23	1.90
Weighted average number of shares for computation of Diluted Earnings Per Share	156.77	153.87

### 32. SUMMARY OF TOTAL BORROWINGS, LOANS AND INVESTMENTS

#### Borrowings

₹ in Crore

Term-wise Break-up	Current Year	Previous Year
Long-term borrowings	86,881.04	90,005.01
Short-term borrowings	25,642.75	18,786.69
Current maturities of long-term borrowings	71,774.30	50,036.41
<b>Total Borrowings</b>	<b>184,298.09</b>	<b>158,828.11</b>
<b>Category-wise Break-up</b>		
Bonds and Debentures	85,193.10	79,521.40
Term Loans :		
- Banks	29,104.76	15,984.62
- External Commercial Borrowing	1,805.10	-
- Others	2,041.90	1,839.27
Commercial Papers	9,575.00	9,550.00
Deposits	56,578.23	51,932.82
<b>Total Borrowings</b>	<b>184,298.09</b>	<b>158,828.11</b>

## Notes forming part of the standalone financial statements (Continued)

### Loans

₹ in Crore

Term-wise Break-up	Current Year	Previous Year
Long-term loans	176,292.04	152,106.20
Current maturities of long-term loans	18,310.72	16,784.61
Short-term loans	2,497.59	1,155.36
	197,100.35	170,046.17
Less: Provision for Sub-standard and Doubtful loans	(545.96)	(475.33)
<b>Net Loan Book</b>	<b>196,554.39</b>	<b>169,570.84</b>
<b>Category-wise Break-up</b>		
Individual	133,281.08	111,320.65
Corporate Bodies	61,624.77	56,956.65
Others	2,194.50	1,768.87
	197,100.35	170,046.17
Less: Provision for Sub-standard and Doubtful loans	(545.96)	(475.33)
<b>Net Loan Book</b>	<b>196,554.39</b>	<b>169,570.84</b>

### Investments

₹ in Crore

Particulars	Current Year	Previous Year
Non-Current Investments	13,370.29	12,531.86
Current Investments	542.36	1,081.60
<b>Total Investments</b>	<b>13,912.65</b>	<b>13,613.46</b>

### 32.1 Summary of total Provision for Contingencies:

₹ in Crore

Particulars	Current Year	Previous Year
Provision for Contingencies Account [Refer Note 6.2]	1,309.04	1,265.24
Provision for Sub-standard and Doubtful Loans [Refer Note 15.6]	545.96	475.33
Provision for Doubtful Receivables [Refer Note 20]	51.71	51.71
	1,906.71	1,792.28

### 33. DISCLOSURE REQUIRED BY NATIONAL HOUSING BANK

The following additional disclosures have been given in terms of the circular no. NHB/ND/DRS/Pol-No.35/2010-11 dated October 11, 2010 issued by the National Housing Bank.

#### (a) Capital to Risk Assets Ratio (CRAR)

Particulars	Current Year	Previous Year
1) CRAR (%)	14.55	16.35
2) CRAR – Tier I Capital (%)	12.10	13.85
3) CRAR – Tier II Capital (%)	2.45	2.50

## Notes forming part of the standalone financial statements (Continued)

### (b) Exposure to Real Estate Sector

₹ in Crore

	Particulars	Current Year	Previous Year
1.	Direct Exposure		
A	Residential Mortgages : Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Individual Housing Loans upto ₹ 15 Lacs: ₹ 22,557.61 Crore (Previous Year ₹ 22,582.15 Crore)	1,29,128.39	1,08,054.76
B	Commercial Real Estate : Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits	44,785.78	27,828.64
C	Investments in Mortgage Backed Securities (MBS) and other securitised exposures – (i) Residential (ii) Commercial Real Estate	21.94 -	28.80 -
2.	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	151.50	150.18

In computing the above information, certain estimates, assumptions and adjustments have been made by the Management which have been relied upon by the auditors.

### (c) Asset Liability Management

Maturity pattern of certain items of assets and liabilities as on March 31, 2014:

Assets and Liabilities are classified in the maturity buckets as per the guidelines issued by the National Housing Bank.

Current Year ₹ in Crore

Maturity Buckets	Liabilities		Assets	
	Borrowings from Banks	Market Borrowings	Advances	Investments
1 day to 30-31 days (one month)	906.12	2,443.75	3,143.97	-
Over one month to 2 months	1,353.74	4,155.00	3,450.90	-
Over 2 to 3 months	1,361.51	2,715.00	3,259.93	1,883.84
Over 3 to 6 months	5,091.75	3,866.25	11,439.89	2,009.85
Over 6 months to 1 year	1,865.05	10,999.00	21,914.74	341.06
Over 1 to 3 years	10,287.45	32,048.23	62,540.57	619.63
Over 3 to 5 years	7,177.30	22,799.23	40,335.23	612.75
Over 5 to 7 years	1,866.94	9,734.24	22,266.28	8,423.72
Over 7 to 10 years	1,000.00	5,007.40	17,517.15	21.80
Over 10 years	-	1,000.00	10,836.97	-
Total	30,909.86	94,768.10	1,96,554.39	13,912.65

## Notes forming part of the standalone financial statements (Continued)

Maturity pattern of certain items of assets and liabilities as on March 31, 2013:

Assets and Liabilities are classified in the maturity buckets as per the guidelines issued by the National Housing Bank.

Previous Year ₹ in Crore

Maturity Buckets	Liabilities		Assets	
	Borrowings from Banks	Market Borrowings	Advances	Investments
1 day to 30-31 days (one month)	709.27	2,223.75	2,594.45	524.99
Over one month to 2 months	353.25	355.00	2,629.28	-
Over 2 to 3 months	476.51	1,347.50	2,843.57	1,009.28
Over 3 to 6 months	867.24	3,326.25	8,929.89	403.90
Over 6 months to 1 year	2,474.98	8,468.30	15,865.27	2,285.04
Over 1 to 3 years	4,557.90	25,631.17	52,850.07	267.89
Over 3 to 5 years	3,611.72	26,594.18	36,811.29	229.09
Over 5 to 7 years	1,933.75	11,210.15	22,156.78	8,393.94
Over 7 to 10 years	1,000.00	8,915.10	14,903.68	-
Over 10 years	-	1,000.00	9,986.56	499.33
<b>Total</b>	<b>15,984.62</b>	<b>89,071.40</b>	<b>1,69,570.84</b>	<b>13,613.46</b>

In computing the above information, certain estimates, assumptions and adjustments have been made by the Management which have been relied upon by the auditors.

### 34. DIVIDEND PAYABLE TO NON-RESIDENT SHAREHOLDERS

The Corporation has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividends payable to non-resident shareholders (including Foreign Institutional Investors) are as under:

Particulars	Current Year Annual	Previous Year Annual
Year to which the dividend relates	2012-13	2011-12
Number of non-resident shareholders	4,442	4,750
Number of shares held by them of Face Value of ₹ 2 each	115,22,95,895	105,85,88,251
Gross amount of dividend (in ₹)	1440,36,99,371	1164,44,70,761

### 35. RELATED PARTY TRANSACTIONS

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

#### A) Subsidiary Companies

HDFC Developers Ltd.  
HDFC Holdings Ltd.  
HDFC Trustee Company Ltd.  
HDFC Standard Life Insurance Company Ltd.  
HDFC Venture Capital Ltd.  
HDFC Ventures Trustee Company Ltd.  
GRUH Finance Ltd.

HDFC Asset Management Company Ltd.  
HDFC Realty Ltd.  
HDFC ERGO General Insurance Company Ltd.  
HDFC Sales Pvt. Ltd.  
HDFC Property Ventures Ltd.  
Credila Financial Services Pvt. Ltd.  
Griha Pte. Ltd. (*Subsidiary of HDFC Investments Ltd.*)

## Notes forming part of the standalone financial statements (Continued)

Griha Investments (*Subsidiary of HDFC Holdings Ltd.*)  
HDFC Education and Development Services Pvt. Ltd.  
H. T. Parekh Foundation  
Windermere Properties Pvt. Ltd. (*w.e.f. 30th September, 2013*)  
Winchester Properties Pvt. Ltd. (*w.e.f. 30th September, 2013*)  
HDFC Investments Ltd.

HDFC Pension Management Company Ltd.  
(*subsidiary of HDFC Standard Life Insurance Company Ltd.*)  
Grandeur Properties Pvt. Ltd. (*w.e.f. 30th September, 2013*)  
Pentagram Properties Pvt. Ltd. (*w.e.f. 28th March, 2014*)  
Haddock Properties Pvt. Ltd. (*w.e.f. 28th March, 2014*)

### B) Associate Companies

HDFC Bank Ltd.  
India Value Fund Advisors Pvt. Ltd.  
RuralShores Business Services Pvt. Ltd.  
IPF Online Ltd. (*Up to 12th November, 2013*)

### C) Entities over which control is exercised

HDFC Property Fund - Scheme - HDFC IT Corridor Fund  
(*Up to 28th March, 2014*)  
HDFC Investment Trust

### D) Key Management Personnel

Mr. Keki M. Mistry  
Ms. Renu Sud Karnad  
Mr. V. Srinivasa Rangan

### E) Relatives of Key Management Personnel

(*Where there are transactions*)

Ms. Arnaaz K. Mistry                      Mr. Rishi R. Sud  
Mr. Ashok Sud                                Ms. Riti Karnad  
Mr. Ketan Karnad                            Ms. Swarn Sud  
Ms. Abhinaya S. Rangan

### I) The nature and volume of transactions of the Corporation during the year, with the above related parties were as follows:

₹ in Crore

Particulars	Subsidiary Companies		Associates		Entities over which control is exercised		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Dividend Income</b>										
- HDFC Asset Management Co. Ltd.	75.48	66.43	-	-	-	-	-	-	-	-
- HDFC Bank Ltd.	-	-	216.27	169.08	-	-	-	-	-	-
- HDFC Holdings Ltd.	9.00	50.85	-	-	-	-	-	-	-	-
- HDFC Standard Life Insurance Co. Ltd.	72.19	-	-	-	-	-	-	-	-	-
- HDFC Investment Ltd.	89.35	120.02	-	-	-	-	-	-	-	-
- Others	62.84	32.12	0.27	0.30	0.05	0.05	-	-	-	-
<b>Interest Income</b>										
- Credila Financial Services Pvt. Ltd.	10.92	1.51	-	-	-	-	-	-	-	-
- HDFC IT Corridor Fund	-	-	-	-	76.26	94.67	-	-	-	-
- Others	2.70	4.04	8.90	9.89	-	5.43	-	-	-	-
<b>Consultancy &amp; Other Fees Income</b>										
- HDFC Asset Management Co. Ltd.	59.01	14.38	-	-	-	-	-	-	-	-
- Others	2.17	0.22	-	-	-	-	-	-	-	-
<b>Rent Income</b>										
- HDFC Asset Management Co. Ltd.	11.17	9.87	-	-	-	-	-	-	-	-
- HDFC ERGO General Insurance Co. Ltd.	6.49	4.96	-	-	-	-	-	-	-	-
- Others	4.00	2.92	1.74	1.71	-	-	-	-	0.01	0.01
<b>Support Cost Recovered</b>										
- HDFC Asset Management Co. Ltd.	1.45	0.48	-	-	-	-	-	-	-	-
- HDFC Sales Pvt. Ltd.	1.37	1.41	-	-	-	-	-	-	-	-
- HDFC ERGO General Insurance Co. Ltd.	0.81	0.14	-	-	-	-	-	-	-	-
- HDFC Education and Development Services Pvt. Ltd.	0.32	0.53	-	-	-	-	-	-	-	-
- HDFC Realty	0.80	0.79	-	-	-	-	-	-	-	-
- Others	0.45	0.35	0.25	0.32	-	-	-	-	-	-
<b>Other Income</b>										
- HDFC Bank Ltd.	-	-	80.46	44.64	-	-	-	-	-	-
- Others	1.20	0.26	-	-	-	-	-	-	-	-
<b>Interest Expense</b>										
- HDFC ERGO General Insurance Co. Ltd.	10.58	7.99	-	-	-	-	-	-	-	-
- HDFC Standard Life Insurance Co. Ltd.	44.02	37.59	-	-	-	-	-	-	-	-
- Others	2.18	7.50	4.57	3.71	-	-	0.53	0.47	0.02	0.05



## Notes forming part of the standalone financial statements (Continued)

₹ in Crore

Particulars	Subsidiary Companies		Associates		Entities over which control is exercised		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Bank &amp; Other Charges</b>										
- HDFC Bank Ltd.	-	-	0.68	1.49	-	-	-	-	-	-
<b>Remuneration</b>										
- Mr. Keki M. Mistry	-	-	-	-	-	-	7.78	6.67	-	-
- Ms. Renu S. Karnad	-	-	-	-	-	-	7.16	6.20	-	-
- Mr. V. S. Rangan	-	-	-	-	-	-	4.54	3.85	-	-
<b>Other Expenses</b>										
- HDFC Sales Private Ltd.	150.80	133.61	-	-	-	-	-	-	-	-
- HDFC Bank Ltd.	-	-	130.16	138.16	-	-	-	-	-	-
- Others	8.71	7.07	0.15	0.13	-	-	-	-	0.09	0.09
<b>Investments made</b>										
- Windermere Properties Pvt Ltd.	171.88	-	-	-	-	-	-	-	-	-
- Haddock Properties Pvt Ltd.	56.39	-	-	-	-	-	-	-	-	-
- Pentagram Properties Pvt Ltd.	54.47	-	-	-	-	-	-	-	-	-
- Credila Financial Services Pvt. Ltd.	51.00	50.00	-	-	-	-	-	-	-	-
- Grandeur Properties Pvt. Ltd.	49.80	-	-	-	-	-	-	-	-	-
- H. T. Parekh Foundation	-	10.01	-	-	-	-	-	-	-	-
- HDFC ERGO General Insurance Co. Ltd.	0.66	22.56	-	-	-	-	-	-	-	-
- Others	46.32	4.00	-	-	20.57	-	-	-	-	-
<b>Investments sold / redeemed</b>										
- HDFC Property Fund - Scheme - HDFC IT Corridor Fund	-	-	-	-	423.85	41.13	-	-	-	-
- Others	-	-	6.31	0.30	-	-	-	-	-	-
<b>Investments</b>										
- HDFC Bank Ltd.	-	-	5,549.74	5,549.74	-	-	-	-	-	-
- HDFC Standard Life Insurance Co. Ltd.	1,545.64	1,545.64	-	-	-	-	-	-	-	-
- Others	1,658.98	1,228.48	2.53	8.84	182.80	586.08	-	-	-	-
<b>Loans given</b>										
- GRUH Finance Ltd.	-	14.00	-	-	-	-	-	-	-	-
- Grandeur Properties Pvt. Ltd.	8.00	-	-	-	-	-	-	-	-	-
- Winchester Properties Pvt. Ltd.	3.54	-	-	-	-	-	-	-	-	-
- Haddock Properties Pvt. Ltd.	1.86	-	-	-	-	-	-	-	-	-
- Others	1.00	-	-	-	-	-	-	-	-	-
<b>Loans repaid</b>										
- GRUH Finance Ltd.	0.95	0.73	-	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	0.02	0.02	-	-
<b>Loans sold</b>										
- HDFC Bank Ltd.	-	-	5,556.07	5,125.00	-	-	-	-	-	-
- HDFC Standard Life Insurance Co. Ltd.	-	50.00	-	-	-	-	-	-	-	-
<b>Loans</b>										
- GRUH Finance Ltd.	12.32	13.27	-	-	-	-	-	-	-	-
- Grandeur Properties Pvt. Ltd.	8.00	-	-	-	-	-	-	-	-	-
- Winchester Properties Pvt. Ltd.	3.54	-	-	-	-	-	-	-	-	-
- Others	2.86	-	-	-	-	-	0.15	0.17	-	-
<b>Bank Deposits placed</b>										
- HDFC Bank Ltd.	-	-	3,234.92	1,550.01	-	-	-	-	-	-
<b>Bank Deposits repaid / matured</b>										
- HDFC Bank Ltd.	-	-	1,734.90	1,252.99	-	-	-	-	-	-
<b>Bank Balance and Deposits</b>										
- HDFC Bank Ltd.	-	-	4,610.46	821.68	-	-	-	-	-	-

## Notes forming part of the standalone financial statements (Continued)

₹ in Crore

Particulars	Subsidiary Companies		Associates		Entities over which control is exercised		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Corporate Deposits placed</b>										
- Credila Financial Services Pvt. Ltd.	392.00	23.00	-	-	-	-	-	-	-	-
- Grandeur Properties Pvt. Ltd.	95.00	-	-	-	-	-	-	-	-	-
- RuralShores Business Services Ltd.	-	-	-	3.00	-	-	-	-	-	-
- Others	31.00	-	-	-	-	-	-	-	-	-
<b>Corporate Deposits repaid / matured</b>										
- Credila Financial Services Pvt. Ltd.	392.00	26.00	-	-	-	-	-	-	-	-
- Grandeur Properties Pvt. Ltd.	95.00	-	-	-	-	-	-	-	-	-
- HDFC Sales Pvt. Ltd.	12.00	19.10	-	-	-	-	-	-	-	-
- Others	1.00	-	3.00	-	-	-	-	-	-	-
<b>Corporate Deposits</b>										
- HDFC Venture Capital Ltd.	20.50	-	-	-	-	-	-	-	-	-
- HDFC Sales Pvt. Ltd.	-	7.00	-	-	-	-	-	-	-	-
- RuralShores Business Services Pvt. Ltd.	-	-	-	3.00	-	-	-	-	-	-
- Others	4.50	-	-	-	-	-	-	-	-	-
<b>Trade Receivable</b>										
- HDFC Asset Management Co. Ltd.	57.12	-	-	-	-	-	-	-	-	-
- HDFC Bank Ltd.	-	-	13.11	-	-	-	-	-	-	-
- HDFC Standard Life Insurance Co. Ltd.	0.01	0.01	-	-	-	-	-	-	-	-
- Others	1.36	-	-	-	-	-	-	-	-	-
<b>Other Advances / Receivables</b>										
- HDFC ERGO General Insurance Co. Ltd.	1.58	1.44	-	-	-	-	-	-	-	-
- HDFC Standard Life Insurance Co. Ltd.	7.60	7.60	-	-	-	-	-	-	-	-
- HDFC Bank Ltd.	-	-	3.28	2.19	-	-	-	-	-	-
- Others	0.37	0.96	-	-	-	-	-	-	0.06	0.06
<b>Deposits placed</b>										
- HDFC Holdings Ltd.	23.22	90.07	-	-	-	-	-	-	-	-
- HDFC Developers Ltd.	5.40	-	-	-	-	-	-	-	-	-
- RuralShores Business Services Ltd.	-	-	16.10	-	-	-	-	-	-	-
- Others	5.03	1.72	-	-	-	-	1.77	4.03	-	0.27
<b>Deposits repaid / matured</b>										
- HDFC Holdings Ltd.	25.03	188.48	-	-	-	-	-	-	-	-
- HDFC Investments Ltd.	-	107.15	-	-	-	-	-	-	-	-
- RuralShores Business Services Pvt. Ltd.	-	-	13.02	-	-	-	-	-	-	-
- Others	8.42	2.76	-	-	-	-	2.42	2.60	0.29	0.45
<b>Deposits</b>										
- HDFC Holdings Ltd.	19.22	21.03	-	-	-	-	-	-	-	-
- RuralShores Business Services Pvt. Ltd.	-	-	3.08	-	-	-	-	-	-	-
- Mr. Keki M. Mistry	-	-	-	-	-	-	2.61	3.28	-	-
- Others	2.50	0.50	-	-	-	-	2.02	2.02	0.12	0.40
<b>Non-Convertible Debentures</b>										
- HDFC ERGO General Insurance Co. Ltd.	110.00	105.00	-	-	-	-	-	-	-	-
- HDFC Standard Life Insurance Co. Ltd.	665.00	615.00	-	-	-	-	-	-	-	-
<b>Other Liabilities / Payables</b>										
- HDFC Bank Ltd.	-	-	14.44	1.21	-	-	-	-	-	-
- HDFC Sales Private Ltd.	6.57	0.01	-	-	-	-	-	-	-	-
- HDFC ERGO General Insurance Co. Ltd.	5.87	4.72	-	-	-	-	-	-	-	-
- HDFC Standard Life Insurance Co. Ltd.	27.03	22.52	-	-	-	-	-	-	-	-
- Others	1.50	0.02	0.04	-	-	-	0.48	0.21	0.01	0.03

## Notes forming part of the standalone financial statements (Continued)

### 36. SEGMENT REPORTING

The Corporation's main business is financing by way of loans for the purchase or construction of residential houses, commercial real estate and certain other purposes, in India. All other activities of the Corporation revolve around the main business. As such, there are no separate reportable segments, as per the Accounting Standard on 'Segment Reporting' (AS 17), notified by the Companies (Accounting Standards) Rules, 2006.

### 37. INTEREST IN JOINT VENTURES

In compliance with the Accounting Standard relating to 'Financial Reporting of Interests in Joint Ventures' (AS 27), notified by the Companies (Accounting Standards) Rules, 2006, the Corporation has interests in the following jointly controlled entities, which are incorporated in India.

Names of Companies	HDFC Standard Life Insurance Co. Ltd.		HDFC ERGO General Insurance Co. Ltd.	
	Current Year	Previous Year	Current Year	Previous Year
Percentage of Shareholding (%)	72.37	72.37	73.82	73.91
Amount of Interest based on the last Audited Accounts	₹ in Crore			
Assets	37,903.85	30,390.96	2,940.07	2,412.81
Liabilities	36,471.84	29,405.80	2,276.35	1,883.28
Income	12,593.20	10,059.54	1,366.35	1,075.73
Expenditure	12,128.20	9,729.73	1,200.76	941.28
Capital Commitment	365.94	274.66	9.59	5.10
Contingent Liability	105.36	245.45	-	-

38. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES**

Names of the subsidiary companies	The financial year of the subsidiary companies ended on	Number of shares of the subsidiary companies held by HDFC Limited at the above date	The net aggregate of profits (₹ Crore) of the subsidiary companies so far as these concern the members of HDFC Limited:			
			(i) dealt with in the accounts of HDFC Limited amounted to:		(ii) not dealt with in the accounts of HDFC Limited amounted to:	
			(a) for subsidiary financial year ended on March 31, 2014	(b) for previous financial years of the subsidiary since these became subsidiaries of HDFC Limited	(a) for subsidiary financial year ended on March 31, 2014	(b) for previous financial years of the subsidiary since these became subsidiaries of HDFC Limited
HDFC Developers Limited	March 31, 2014	50,000	-	2.45	1.73	(0.02)
HDFC Investments Limited	March 31, 2014	26,670,500	78.73	373.22	8.75	65.83
HDFC Holdings Limited	March 31, 2014	1,800,070	9.00	81.51	5.96	16.22
HDFC Asset Management Company Limited	March 31, 2014	15,096,600	126.20	262.33	138.50	621.91
HDFC Trustee Company Limited	March 31, 2014	100,000	-	-	0.00	0.07
HDFC Realty Limited	March 31, 2014	7,750,070	-	-	5.31	(2.68)
HDFC Standard Life Insurance Co. Limited	March 31, 2014	1,443,733,842	72.18	-	452.70	(570.81)
GRUH Finance Limited	March 31, 2014	106,538,925	-	129.60	104.67	99.52
HDFC ERGO General Insurance Co. Limited	March 31, 2014	390,732,250	19.54	-	124.72	(65.54)
HDFC Venture Capital Limited	March 31, 2014	402,500	11.67	51.97	3.20	6.58
HDFC Ventures Trustee Co. Limited	March 31, 2014	50,000	-	1.80	0.24	0.52
HDFC Property Ventures Limited	March 31, 2014	1,000,000	5.00	24.95	0.99	5.24
HDFC Sales Private Limited	March 31, 2014	4,010,000	-	-	7.33	11.11
Credila Financial Services Private Limited	March 31, 2014	42,272,003	-	-	11.95	(14.19)
HDFC Education & Development Services Pvt. Ltd.	March 31, 2014	10,100,000	-	-	(2.09)	(5.84)
HDFC Pension Management Co. Ltd.	March 31, 2014	20,263,600	-	-	0.02	(0.43)
Griha Investments	March 31, 2014	40,000	-	-	40.41	59.51
H T Parekh Foundation	March 31, 2014	10,009,990	-	-	(0.07)	(0.23)
Griha Pte Ltd	March 31, 2014	620,000	-	-	(1.14)	(0.16)

# Consolidated Financial Statements

Independent Auditors' Report

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Consolidated Balance Sheet

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Consolidated Statement of Profit and Loss

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Consolidated Cash Flow Statement

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Notes to Consolidated Financial Statements

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## CONSOLIDATED FINANCIAL STATEMENTS

### Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF  
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED (the "Corporation") and its subsidiaries (the Corporation and its subsidiaries entities constitute "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

The Corporation's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in

accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associates referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014 ;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

#### Other Matter

We did not audit the financial statements of four subsidiaries, whose financial statements reflect total assets (net) of ₹ 9,168.60 crore as at March 31, 2014, total revenues of ₹ 1,810.31 crore and net cash flows amounting to ₹ 88.57 crore for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 1,914.91 crore for the year ended March 31, 2014, as considered in the consolidated



financial statements, in respect of one associate, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors.

The actuarial valuation of liabilities for life policies in force and for the policies in respect of which premium has been discontinued but liability

exists on the financial statements as at March 31, 2014 in respect of one Subsidiary Company and the estimate of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER), included under Claims Outstanding as at March 31, 2014 in respect of one Subsidiary Company has been duly certified by the Subsidiary Company's Appointed Actuaries respectively, and in their opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority ("IRDA") and the Institute

of Actuaries of India in concurrence with the IRDA. We have relied on the Appointed Actuaries' certificate in this regard for forming our opinion on the financial statements of the said Subsidiary Companies.

Our opinion is not qualified in respect of these matters.

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

MUMBAI,  
6th May, 2014  
Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 39826)

# Housing Development Finance Corporation Limited

## Consolidated Balance Sheet as at March 31, 2014

	Note	₹ in Crore	₹ in Crore	March 31, 2013 ₹ in Crore
<b>EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	4	312.10		309.27
Reserves and Surplus	5	<u>37,262.51</u>		<u>31,581.29</u>
			37,574.61	31,890.56
<b>MINORITY INTEREST</b>				
			1,423.88	1,071.47
<b>NON-CURRENT LIABILITIES</b>				
Policy Liabilities (Policyholder's Fund)		45,003.25		35,086.09
Long-term borrowings	7	91,757.78		93,618.53
Deferred tax liabilities (net)	17	15.82		-
Other Long-term liabilities	8	2,288.20		2,021.30
Long-term provisions	9	<u>1,682.20</u>		<u>1,557.14</u>
			1,40,747.25	1,32,283.06
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	10	26,342.54		18,929.26
Trade Payables	11	2,803.27		2,169.27
Other current liabilities	12			
- Policy Liabilities (Policyholder's Fund)		4,300.42		4,238.40
- Borrowings		72,831.68		51,114.90
- Others		7,559.93		6,856.91
Short-term provisions	13	<u>3,651.10</u>		<u>3,224.61</u>
			1,17,488.94	86,533.35
			<u>2,97,234.68</u>	<u>2,51,778.44</u>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS:</b>				
Fixed assets				
(i) Tangible assets	14	746.16		611.11
(ii) Intangible assets	15	70.49		54.39
(iii) Capital Work-in-Progress		21.01		32.45
(iv) Intangible assets under Development		0.03		0.03
<b>GOODWILL ON CONSOLIDATION</b>				
		185.59		185.08
Non-current investments	16	65,377.26		53,616.24
Deferred tax asset (net)	17	663.34		659.58
Long-term loans and advances	18			
- Loans		1,83,423.95		1,57,407.24
- Others		2,899.97		2,135.94
Other non-current assets	19	<u>1,115.43</u>		<u>883.50</u>
			2,54,503.23	2,15,585.56
<b>CURRENT ASSETS:</b>				
Current investments	20	7,536.95		5,876.18
Trade receivables	21	377.01		216.02
Cash and bank balances	22	8,588.11		7,071.67
Short-term loans and advances	23			
- Loans		21,324.43		18,418.46
- Others		3,259.27		3,333.97
Other current assets	24	<u>1,645.68</u>		<u>1,276.58</u>
			42,731.45	36,192.89
			<u>2,97,234.68</u>	<u>2,51,778.44</u>

See accompanying notes forming part of the financial statements  
As per our report attached.

Directors

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Deepak S. Parekh  
Chairman

Nasser Munjee  
B. S. Mehta  
D. N. Ghosh  
S. A. Dave

R. S. Tarneja  
J. J. Irani  
Bimal Jalan  
D. M. Sukthankar

Sanjiv V. Pilgaonkar  
Partner

Keki M. Mistry  
Vice Chairman &  
Chief Executive Officer

V. Srinivasa Rangan  
Executive Director

Girish V. Koliyote  
Company Secretary

MUMBAI, May 6, 2014

Renu Sud Karnad  
Managing Director

## Housing Development Finance Corporation Limited

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

	Note	₹ in Crore	Previous Year ₹ in Crore
<b>INCOME</b>			
Revenue from Operations	26	25,583.15	22,032.46
Profit on sale of Investments	27	294.03	378.35
Other Income	26.6	61.39	38.75
Premium from Insurance Business		13,539.59	12,650.29
Other Operating Income from Insurance Business		1,336.40	887.08
<b>Total Revenue</b>		<b>40,814.56</b>	<b>35,986.93</b>
<b>EXPENSES</b>			
Finance Cost	28	16,607.89	14,295.52
Employee Benefits Expenses	29	597.24	528.13
Establishment Expenses	30	143.14	125.54
Other Expenses	31	465.29	429.97
Claims paid pertaining to Insurance Business		5,969.83	4,866.93
Commission and operating expenses pertaining to Insurance Business		1,924.34	2,278.56
Other expenses pertaining to Insurance Business		6,103.93	5,792.21
Depreciation and Amortisation	14 & 15	46.85	54.20
Provision for Contingencies		110.20	148.59
<b>Total Expenses</b>		<b>31,968.71</b>	<b>28,519.65</b>
<b>PROFIT BEFORE TAX</b>		<b>8,845.85</b>	<b>7,467.28</b>
Tax Expense			
Current Tax		2,317.05	2,007.28
Deferred Tax	17	41.29	(5.25)
<b>PROFIT FOR THE YEAR</b>		<b>6,487.51</b>	<b>5,465.25</b>
Share of profit of Minority Interest		(454.89)	(341.80)
Net share of Profit from Associates		1,915.20	1,516.27
<b>PROFIT AFTER TAX ATTRIBUTABLE TO THE CORPORATION</b>	5.1	<b>7,947.82</b>	<b>6,639.72</b>
<b>EARNINGS PER SHARE (Face Value ₹ 2)</b>	36		
Basic (₹)		51.01	43.63
Diluted (₹)		50.61	43.09

See accompanying notes forming part of the financial statements

As per our report attached.

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Sanjiv V. Pilgaonkar  
Partner

MUMBAI, May 6, 2014

Deepak S. Parekh  
Chairman

Keki M. Mistry  
Vice Chairman &  
Chief Executive Officer

Renu Sud Karnad  
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Executive Director

Directors

R. S. Tarneja  
J. J. Irani

Bimal Jalan  
D. M. Sukthankar

Girish V. Koliyote  
Company Secretary

# Housing Development Finance Corporation Limited

## Consolidated Cash Flow Statement for the year ended March 31, 2014

	Notes	₹ in Crore	Previous Year ₹ in Crore
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit After tax Attributable to the Group		7,947.82	6,639.72
Add: Provision for Taxation		2,358.34	2,002.03
Profit Before Tax		10,306.16	8,641.75
Adjustments for:			
Depreciation and Amortisation *	14 & 15	108.87	101.33
Provision for Contingencies	5.3	110.20	148.59
Interest Expense	28	16,357.10	14,033.19
Net Gain on translation of foreign currency monetary assets and liabilities		(49.51)	(52.01)
Interest Income	26	(23,774.91)	(20,523.01)
Employee Stock Option Expense (net of options exercised)		-	(4.54)
Premium paid on redemption of Debentures		(398.20)	(708.71)
Shelter Assistance Reserve - utilisation	5.10	(13.02)	(9.13)
Corporate Social Responsibility Account - utilisation	5.10	(0.46)	(0.69)
Reserve for Unexpired Risk		180.83	228.96
Policy Liabilities (net)		9,979.18	7,699.08
Surplus from Deployment in Cash Management Schemes of Mutual Funds	26	(344.01)	(256.74)
Profit on Sale of Investments		(294.03)	(378.35)
Dividend Income	26	(47.64)	(68.30)
Provision for Diminution in Value of Investments		(0.38)	6.22
Bad debts written off		1.89	3.37
(Profit) / Loss on Sale of Fixed Assets (net)		(22.41)	(0.57)
Operating Profit before Working Capital changes		12,099.66	8,860.44
Adjustments for:			
Current and Non Current Assets		266.10	2,223.01
Current and Non Current Liabilities		156.79	578.29
Cash generated from operations		12,522.55	11,661.74
Interest Received		23,271.11	20,053.35
Interest Paid		(15,418.73)	(12,125.73)
Dividend Received		47.64	68.30
Taxes Paid		(2,910.84)	(2,493.30)
Net cash from operation		17,511.73	17,164.36
Loans disbursed (net)		(28,647.62)	(30,777.49)
Corporate Deposits (net)		299.75	1,643.85
Net cash used in operating activities	[ A ]	(10,836.14)	(11,969.28)
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets		(255.13)	(172.30)
Sale of Fixed Assets		31.21	46.91
Goodwill (net)		(0.51)	(7.55)
Investments (net)		(12,766.59)	(10,083.59)
Net cash used in investing activities	[ B ]	(12,991.02)	(10,216.53)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share Capital - Equity	4.1	2.83	13.88
Utilisation of Reserves for Buy back of Equity Shares by one of the Subsidiary Company		(20.92)	(67.16)
Securities Premium	5	651.41	3,863.34
Borrowings (net)		27,153.18	21,047.80
Dividend paid		(1,939.91)	(1,635.56)
Tax paid on Dividend		(385.73)	(294.09)
Securities Issue Expenses		(0.30)	(0.18)
Increase in Minority Interest		359.81	245.94
Net cash from financing activities	[ C ]	25,820.37	23,173.97
Net (Decrease) / Increase in cash and cash equivalents	[ A+B+C ]	1,993.21	988.16
Add: Cash and cash equivalents as at the beginning of the year	22	4,397.46	3,405.11
Add: Exchange difference on bank balance		6.98	4.19
Cash and cash equivalents as at the end of the year	22	6,397.65	4,397.46
Earmarked balances with banks:			
- Unclaimed dividend account		15.26	12.38
- Other against Foreign Currency Loans		6.39	5.42
- Guarantees issued by banks		0.24	0.21
- Others		2.59	2.59
Short - term bank deposits		2,165.98	2,653.61
Cash and Bank balances at the end of the year	22	8,588.11	7,071.67

See accompanying notes forming part of the financial statement

As per our report attached.

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Sanjiv V. Pilgaonkar  
Partner

MUMBAI, May 6, 2014

Deepak S. Parekh  
Chairman

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Vice Chairman &  
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D. M. Sukthankar

Girish V. Koliyote  
Company Secretary

## Notes forming part of the consolidated financial statements

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 ACCOUNTING CONVENTION

##### OTHER THAN INSURANCE COMPANIES

These accounts have been prepared in accordance with historical cost convention, applicable Accounting Standards as notified under the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs), relevant provisions of the Companies Act, 1956, the guidelines issued by the National Housing Bank and Reserve Bank of India to the extent applicable.

##### INSURANCE COMPANIES

The financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with the accounting principles prescribed by the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, ('the IRDA Financial Statements Regulations'), provisions of the Insurance Regulatory and Development Authority Act, 1999, the Insurance Act, 1938, circulars/notifications issued by the Insurance Regulatory and Development Authority ('the IRDA') from time to time, the Companies Act 1956 and the accounting standards notified under the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs), to the extent applicable and in the manner so required.

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

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

#### 1.2 GAIN OR LOSS ON DILUTION

The gain or loss on account of dilution of stake of HDFC Ltd. in its subsidiaries, associates and entities over which control is exercised is accounted through General Reserve.

#### 1.3 SYSTEM OF ACCOUNTING

The Group adopts the accrual concept in the preparation of the accounts.

The Balance Sheet and the Statement of Profit and Loss of the Group are prepared in accordance with the provisions contained in Section 211 of the Companies Act, 1956, read with Revised Schedule VI thereto to the extent possible (except the insurance subsidiaries).

#### 1.4 INFLATION

Assets and liabilities are recorded at historical cost to the Group. These costs are not adjusted to reflect the changing value in the purchasing power of money.

#### 1.5 OPERATING CYCLE

Based on the nature of its activities, the Corporation has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

## Notes forming part of the consolidated financial statements (Continued)

### 1.6 CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated based on the available information.

### 1.7 CASH AND CASH EQUIVALENTS (FOR PURPOSES OF CASH FLOW STATEMENT)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### 1.8 LOANS AND RECEIVABLES AND CREDIT LOSS ALLOWANCES

Loans are initially recorded at the disbursed principal amounts and are subsequently adjusted for recoveries and any unearned income. Loans are carried net of the allowances for credit losses.

A loan is recognised as non-performing ("NPA") or as a "doubtful" or as a "loss" asset based on the period for which the repayment instalment or interest has remained in arrears as prescribed under the Housing Finance Companies (NHB) Directions, 2010, (the "NHB Directions"). Allowances for credit losses are made on an individual basis at rates prescribed under the NHB Directions unless, the management estimates that a higher individual allowance is required to reduce the carrying value of loan asset, including accrued interest, to its estimated realisable amount. The fair value of the underlying security is taken into consideration to estimate the realisable amount of the loan. When a loan is identified as a "Loss Asset" that is adversely affected by a potential threat of non-recoverability, the outstanding balance is fully written off or fully provided for.

### 1.9 INTEREST INCOME ON LOANS

Repayment of housing loans is generally by way of Equated Monthly Instalments (EMIs) comprising principal and interest. EMIs commence generally once the entire loan is disbursed. Certain customers request for commencement of regular principal repayments even before the entire loan is disbursed, especially when the projects are of long gestation. A recalculated EMI based on Principal Outstanding is offered in such cases. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed either on an annual rest or on a monthly rest basis on the principal outstanding at the beginning of the relevant period.

Interest income is allocated over the contractual term of the loan by applying the committed interest rate to the outstanding amount of the loan. Interest income is accrued as earned with the passage of time.

Interest on loan assets classified as "non-performing" is recognised only on actual receipt.

### 1.10 DIVIDEND

Dividend income is recognised when the right to receive has been established.

### 1.11 FEES AND OTHER REVENUE

Fees and other revenue is recognised after the service is rendered to the extent that it is probable that the economic benefits will flow to the Corporation and that the revenue can be reliably measured, regardless of when the payment is being made.

### 1.12 PREMIUM INCOME FROM INSURANCE BUSINESS

#### LIFE INSURANCE BUSINESS

##### Premium Income

Premium income is accounted for when due from the policyholders, if there is no uncertainty of collectability. In case of linked business, premium income is accounted for when the associated units are created. Premium



## Notes forming part of the consolidated financial statements (Continued)

on lapsed policies is accounted for as income when such policies are reinstated. Top up premium is considered as single premium.

### Income from Linked Policies

Income from linked policies, which include fund management charges, policy administration charges, mortality charges and other charges, wherever applicable, is recovered from the linked funds in accordance with the terms and conditions of the insurance contracts and is accounted for as income when due.

### Reinsurance Premium Ceded

Reinsurance premium ceded is accounted for on due basis, at the time when related premium income is accounted for in accordance with the terms and conditions of the reinsurance treaties.

### Commission on Reinsurance Ceded

Profit commission on reinsurance, wherever applicable, is accounted for in the year of final determination of profit.

## GENERAL INSURANCE BUSINESS

### Premium Income

Premium (net of service tax) is recognised as income over the contract period or period of risk, as appropriate, after adjusting for unearned premium (unexpired risk). Any subsequent revisions to or cancellations of premiums are accounted for in the year in which they occur. Instalment cases are recorded on instalment due dates. Premium received in advance represents premium received prior to commencement of the risk.

### Reinsurance Premium Ceded

Reinsurance premium ceded is accounted in the year in which the risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Reinsurance premium ceded on unearned premium is carried forward to the period of risk and is set off against related unearned premium. Any subsequent revisions to or cancellations of premiums are accounted for in the year in which they occur.

Premium on excess of loss reinsurance cover is accounted as per the terms of the reinsurance arrangements.

### Commission received

Commission on reinsurance ceded is recognised as income on ceding of reinsurance premium.

Profit commission under reinsurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by the Reinsurer.

## 1.13 INCOME FROM LEASES

Lease rental income in respect of leases is recognised in accordance with the Accounting Standard on 'Leases' (AS 19) notified by the Companies (Accounting Standards) Rules, 2006.

## 1.14 MANAGEMENT AND TRUSTEESHIP FEES

Management and Trusteeship fees are accounted on accrual basis.

## 1.15 INCOME FROM INVESTMENTS

The gain/loss on account of Investments in Preference Shares, Debentures/Bonds and Government Securities held as long-term investments and acquired at a discount/premium, is recognised over the life of the security on a pro-rata basis.

## Notes forming part of the consolidated financial statements (Continued)

Interest income on investments is accounted for on accrual basis.

Amortisation of premium or accretion of discount at the time of purchase of debt securities is amortised over the remaining period of maturity/holding on a straight line basis.

### 1.16 BORROWING AND BORROWING COSTS

The Corporation borrows funds, primarily in Indian Rupees, and carry a fixed rate or floating rate of interest. As a part of its risk management strategy, the Corporation converts such borrowings into floating rate or foreign currency borrowings by entering into interest rate swaps or cross currency interest rate swaps having the same notional amount and maturity as the underlying borrowings and holds these instruments till maturity. At each reporting date, these liabilities are restated at the closing rate.

Borrowing costs include interest, amortised brokerage on deposits and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary costs in connection with long-term external commercial borrowings are amortised to the Statement of Profit and Loss over the tenure of the loan. Issue expenses of certain securities are charged to the securities premium.

### 1.17 TRANSLATION OF FOREIGN CURRENCY

#### Initial recognition

Transactions in foreign currencies entered into by the Group are accounted at the exchange rates prevailing on the date of the transaction.

#### Measurement at the Balance Sheet date

Assets and liabilities in foreign currencies are converted at the rates of exchange prevailing at the year-end, where not covered by forward contracts. Wherever the Corporation has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract. Monetary items represented by currency swap contracts are restated at the closing rate.

The net loss/gain on translation of long-term monetary assets and liabilities in foreign currencies is amortised over the maturity period of such monetary assets and liabilities and charged to the Statement of Profit and Loss. The unamortised exchange difference is carried in the Balance Sheet as "Foreign currency monetary item translation difference account." The net loss/gain on translation of short term monetary assets and liabilities in foreign currencies is recorded in the Statement of Profit and Loss.

### 1.18 BROKERAGE ON DEPOSITS

Brokerage, other than incentive brokerage on deposits, is amortised over the period of the deposit. Incentive brokerage, which is payable to agents who achieve certain collection targets, is charged to the Statement of Profit and Loss.

### 1.19 BROKERAGE - MUTUAL FUND EXPENSE

Brokerage paid on investment in Equity Linked Saving Schemes and Closed Ended Schemes is amortised over a period of 36 months and over the tenure of the scheme respectively.

Brokerage paid in advance in respect of Portfolio Management Business is amortised over the contractual period.

### 1.20 INVESTMENTS

#### (i) OTHER THAN INSURANCE COMPANIES

Investments are capitalised at cost inclusive of brokerage and stamp charges and are classified into two categories, viz. Current or Long Term. 'Long-term investments (excluding investment in properties),

## Notes forming part of the consolidated financial statements (Continued)

are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Provision for diminution in the value of investments is made in accordance with the guidelines issued by the National Housing Bank and the Accounting Standard on 'Accounting for Investments' (AS 13) notified by the Companies (Accounting Standards) Rules, 2006, and is recognised through the Provision for Contingencies Account. Investment in properties are carried individually at cost less accumulated depreciation and impairment, if any.

### (ii) INSURANCE COMPANIES

Investments are made in accordance with the provisions of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, the Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001, the Insurance Regulatory and Development Authority (Investment) (Fourth Amendment) Regulations, 2008, the Insurance Regulatory and Development Authority (Investment) (Fifth Amendment) Regulations, 2013, wherever applicable and various other circulars/notifications/clarifications issued by the IRDA in this context from time to time.

Investments are recognised at cost on the date of purchase, which includes brokerage and taxes if any, and excluding accrued interest (i.e. since the previous coupon date) as on the date of purchase.

In case of one of the subsidiary company (HDFC Standard Life Insurance Co. Ltd.), Investment property represents land or building held for use other than in services or for administrative purposes. The investment in the real estate investment property is valued at historical cost plus revaluation if any. Revaluation of the investment property is done at least once in three years. The change in the carrying amount of the investment property is taken to Revaluation Reserve in the Balance Sheet. Impairment loss, if any, exceeding the amount in Revaluation Reserve is recognised as an expense in the Revenue Account or the Profit and Loss Account.

### 1.21 TANGIBLE FIXED ASSETS

Fixed Assets are capitalised at cost inclusive of legal and/or installation expenses. Leased Assets are accounted in accordance with the Accounting Standard on 'Leases' (AS 19) notified by the Companies (Accounting Standards) Rules, 2006.

### 1.22 INTANGIBLE ASSETS

Intangible Assets comprising of system software are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition, less accumulated amortisation and Goodwill arising on account of a scheme of amalgamation in a subsidiary company and a scheme of de-merger in a jointly controlled entity. Any expenses on such software for support and maintenance payable annually are charged to the Statement of Profit and Loss.

### 1.23 CAPITAL WORK IN PROGRESS

Capital work-in-progress includes assets not ready for the intended use and are carried at cost, comprising direct cost and related incidental expenses.

### 1.24 IMPAIRMENT OF ASSETS

The carrying values of assets forming part of any cash generating units at balance sheet date are reviewed for impairment at each balance sheet date. If any indication for such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on

## Notes forming part of the consolidated financial statements (Continued)

appropriate discount factor. If at the Balance Sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that extent.

### 1.25 DEPRECIATION AND AMORTISATION

#### Tangible Fixed Assets

Depreciation on all Fixed Assets other than Leased Assets and Leasehold Improvements, is provided for the full year in respect of assets acquired during the year. No depreciation is provided in the year of sale.

In respect of Leased Assets and Leasehold Improvements depreciation is provided on a pro-rata basis from the date of installation/acquisition.

Depreciation on Buildings, Computers, Leased Assets and Leasehold Improvements, is calculated as per the straight-line method; and on other assets as per the reducing balance method. All assets except Computers and Leased Assets are depreciated at rates specified by the Companies Act, 1956. Depreciation on Computers is calculated at the rate of 25 per cent per annum. Depreciation in respect of finance leases is provided on the straight line method over the primary period of lease or over the specified period, as defined under Section 205(5)(a) of the Companies Act, 1956, whichever is shorter. Depreciation in respect of Leasehold Improvements is provided on the straight line method over the primary period of the lease.

In respect of jointly controlled entity, Fixed assets that are to be used exclusively for customers and over which they have a lien are depreciated over the shorter of the estimated useful life or the tenure of contract. Fixed assets acquired on hire purchase basis are amortised over the tenure of the agreement. Leasehold Improvements are amortised over the period of lease or ten years whichever is shorter.

#### Intangible Assets

Capitalised software and Website Development cost is amortised over a period of four to five years on a straight-line basis.

#### Investment In Properties

Depreciation on Investment in properties is provided on a pro-rata basis from the date of acquisition.

### 1.26 PROVISIONS AND CONTINGENCIES

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are neither recognised nor disclosed in the financial statements.

### 1.27 PROVISION FOR CONTINGENCIES AND NON-PERFORMING ASSETS

The Group's policy is to carry adequate amounts in the Provision for Non-Performing Assets Account and the Provision for Contingencies account to cover the amount outstanding in respect of all non-performing assets and standard assets respectively as also all other contingencies. All loans and other credit exposures where the interest and/instalments are overdue for ninety days and more are classified as non-performing assets in accordance with the prudential norms prescribed by the National Housing Bank, the Reserve Bank of India and the IRDA Regulations. The provision for non-performing assets is deducted from loans and advances. The provisioning policy of the Group covers the minimum provisioning required as per the NHB, the Reserve Bank of India and the IRDA Regulations.

### 1.28 STANDARD ASSET PROVISIONING (COLLECTIVE ALLOWANCES)

Provisions are established on a collective basis against loan assets classified as "Standard" to absorb credit losses on the aggregate exposures in each of the Corporation's loan portfolios based on the NHB Directions.

## Notes forming part of the consolidated financial statements (Continued)

A higher standard asset provision may be made based upon statistical analysis of past performance, level of allowance already in place and Management's judgement. This estimate includes consideration of economic and business conditions. The amount of the collective allowance for credit losses is the amount that is required to establish a balance in the Provision for Standard Assets Account that the Corporation's management considers adequate, after consideration of the prescribed minimum under the NHB Directions, to absorb credit related losses in its portfolio of loan items after individual allowances or write offs.

### 1.29 EMPLOYEE BENEFITS

#### **Defined contribution plans**

The Corporation's contribution to provident fund and superannuation fund are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made. These funds and the schemes thereunder are recognised by the Income-tax authorities and administered by various trustees. The Rules of the Corporation's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Corporation.

The Contributions made to the Recognised Provident Funds are charged to the Statement of Profit and Loss.

#### **Defined benefit plans**

For defined benefit plans in the form of leave encashment/compensated absences, gratuity fund and post retirement pension scheme for whole time Directors, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Except in case of Dubai branch of the Corporation, the provision for gratuity is made in accordance with the prevalent local laws.

Actuarial gain and losses comprises of experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Statement of Profit and Losses as Income or Expense.

#### **Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

## Notes forming part of the consolidated financial statements (Continued)

### Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date.

### 1.30 CLAIMS PAID AND OTHER EXPENSES PERTAINING TO INSURANCE BUSINESS

#### (i) LIFE INSURANCE BUSINESS

##### Benefits paid

Benefits paid consist of policy benefit amounts and claim settlement costs, where applicable.

##### Non-linked business

Death and rider claims are accounted for on receipt of intimation. Annuity benefits, money back payment and maturity claims are accounted for when due. Surrenders are accounted for on the receipt of consent from the insured to the quote provided by the Company.

##### Linked business

Death and rider claims are accounted for on receipt of intimation. Maturity claims are accounted for on due basis when the associated units are de-allocated. Surrenders and withdrawals are accounted for on receipt on intimation when associated units are de-allocated. Amounts payable on lapsed policies are accounted for on expiry of lock in period, which is the period after which policies cannot be revived. Surrenders and lapsation are disclosed at net of charges recoverable.

Reinsurance claims receivable are accounted for in the period in which the concerned claims are intimated. Repudiated claims and other claims disputed before judicial authorities are provided for on prudent basis as considered appropriate by management.

##### Policy acquisition costs

Policy acquisition costs mainly consist of commission to insurance intermediaries, sales staff costs, office rent, medical examination costs, policy printing expenses, stamp duty and other related expenses incurred to source and issue the policy. These costs are expensed in the period in which they are incurred.

#### (ii) GENERAL INSURANCE BUSINESS

##### Claims incurred

Claims incurred comprises of claims paid (net of salvage and other recoveries), change in the estimate liability for outstanding claims made following a loss occurrence reported, change in estimated liability for claims incurred but not reported (IBNR) & claims incurred but not enough reported (IBNER) and specific settlement costs comprising survey, legal and other directly attributable expenses.

Provision is made for estimated value of outstanding claims at the balance sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, established by the management in the light of past experience and progressively modified for changes as appropriate on availability of further information and include insurance claim settlement costs likely to be incurred to settle outstanding claims.

Claims (net of amounts receivable from reinsurers/coinsurers) are recognised on the date of intimation based on estimates from surveyors/insured in the respective revenue accounts.

The estimated liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) has been estimated by the Appointed Actuary in compliance with guidelines issued



## Notes forming part of the consolidated financial statements (Continued)

by IRDA vide circular No. 11/IRDA/ACTL/IBNR/2005-06 dated June 8, 2005 and applicable provisions of the Guidance Note 21 issued by the Institute of Actuaries of India. The Appointed Actuary has used alternative methods for each product category as considered appropriate depending upon the availability of past data as well as appropriateness of the different methods to the different lines of businesses.

The Basic Chain Ladder (BCL) method has been adopted for those lines of business where claims development from the past years is considered to be representative for the future claims development viz. Motor (OD and PA), Personal Accident, Health and Travel Insurance.

The Bornhuetter – Fergusson method has been adopted for Motor Third Party Insurance in respect of classes of vehicles other than commercial vehicles since reasonable volume of paid claims data is available. In respect of commercial vehicles, the loss ratio approach is adopted since sufficient credible loss experience and/or minimum reliable development data is not available to justify the application of standard actuarial methods.

For other classes of business such as Commercial Insurance (consisting of Fire, Marine, Engineering, Public Liability, Product Liability, Workmen compensation and Miscellaneous), Specialty Insurance, Cattle and Home Insurance, the available claims paid data are very small and hence not sufficient to apply any statistical method. For such classes of business, the liability has been arrived at by using Loss Ratio method by multiplying the Net Earned premium and the excess if the estimated claims ratio over the actual claims ratio.

### Acquisition costs

Acquisition costs are defined as costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts viz. commission. These costs are expensed out in the period in which they are incurred.

### Premium Deficiency

Premium deficiency is recognised for the Company as a whole on an annual basis. Premium deficiency is recognised if the sum of the expected claim costs, related expenses and maintenance cost (related to claims handling) exceeds related reserve for unexpired risk.

## 1.31 LEASES

### (i) Finance leases

Leases under which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Such leased asset acquired are capitalised at fair value of the asset or present value of the minimum lease rental payments at the inception of the lease, whichever is lower.

### (ii) Operating leases

Leases where the lessor effectively retains substantially all the risk and the benefits of ownership over the leased term are classified as operating leases. Leased rental payments under operating leases including committed increase in rentals are accounted for as an expense, on a straight line basis, over the non-cancellable lease period.

## 1.32 EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of

## Notes forming part of the consolidated financial statements (Continued)

equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### 1.33 TAXES ON INCOME

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

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

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

#### WEALTH TAX

Provision for wealth tax is made at the appropriate rates, as per the applicable provisions of the Wealth Tax Act, 1957.

### 1.34 SERVICE TAX INPUT CREDIT

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing/utilising the credits.

### 1.35 SECURITISED LOANS AND SECURITISATION LIABILITIES

The Corporation periodically transfers pools of mortgages. Such assets are derecognised, if and only if, the Corporation loses control of the contractual rights that comprise the corresponding pools or mortgages transferred.

Transfers of pools of mortgages under the current programs involve transfer of proportionate shares in the pools of mortgages. Such transfers result in de-recognition only of that proportion of the mortgages as meet the de-recognition criteria. The portion retained by the Corporation continue to be accounted for as loans as described above.

On de-recognition, the difference between the book value of the securitised asset and consideration received is recognised as gain arising on securitisation in the Statement of Profit and Loss over the balance maturity period of the pool transferred. Losses, if any, arising from such transactions, are recognised immediately in the Statement of Profit and Loss.

## Notes forming part of the consolidated financial statements (Continued)

### 1.36 POLICY LIABILITIES

Actuarial liabilities, for all in force policies and policies where premiums are discontinued, but a liability exists as at the valuation date, are calculated in accordance with the generally accepted actuarial principles and practices, requirements of Insurance Act, 1938, regulations notified by the IRDA and Actuarial Practice Standard (APS) issued by the Institute of Actuaries of India with the concurrence of the IRDA.

The specific principles adopted for the valuation of policy liabilities are set out as per the IRDA (Assets, Liabilities and Solvency Margin) Regulations, 2000 and the APS2 & APS7 issued by the Institute of Actuaries of India.

### 1.37 RESERVE FOR UNEXPIRED RISK OF GENERAL INSURANCE BUSINESS

Reserve for Unexpired Risk represents proportion of net premium written relating to the period of insurance subsequent to the Balance Sheet date, calculated on the basis of 1/365th method, or as required under Section 64V(1)(ii)(b) of the Insurance Act, 1938, i.e., subject to a minimum of 100% in case of marine hull business and 50% in case of other businesses based on net premium written during the year, whichever is higher. As per the Master Circular on preparation of financial statements General Insurance business the net premium written is to be considered only in respect of policies written during the year and unexpired on the Balance Sheet date.

## 2. The consolidated financial statements comprise the individual financial statements of Housing Development Finance Corporation Limited ("HDFC Ltd." or "the Corporation"), its subsidiaries and associates as on March 31, 2014 and for the year ended on that date. The consolidated financial statements have been prepared on the following basis:

- (i) The financial statements of the Corporation and its subsidiaries have been combined on a line-by-line basis by consolidating the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions, resulting in unrealised profits or losses as per Accounting Standard 21 on 'Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006.
- (ii) The Corporation's investments in equity shares of associates are accounted for under the equity method and its share of pre-acquisition profits/losses is reflected as goodwill/capital reserve in the carrying value of investments in accordance with the Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006.
- (iii) The financial statements of the subsidiaries and the associates used in the consolidation are drawn up to the same reporting date as that of the Corporation, i.e. March 31, 2014.
- (iv) The excess of cost to the Corporation, of its investment in the subsidiaries over the Corporation's portion of equity is recognised in the financial statements as Goodwill.
- (v) The excess of the Corporation's portion of equity of the subsidiaries on the acquisition date over its cost of investment is treated as Capital Reserve.
- (vi) Minority Interest in the net assets of consolidated subsidiaries consists of:
  - a) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
  - b) The minorities' share of movements in equity since the date the relationship came into existence.
- (vii) Minority interest's share of net profit/loss for the year of the consolidated subsidiaries is identified and adjusted against the profit after tax of the group.
- (viii) In case of foreign subsidiaries, being non-integral operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the Foreign Currency Translation Reserve.

## Notes forming part of the consolidated financial statements (Continued)

- 2.1 The financial statements of the following subsidiary companies have been consolidated as per Accounting Standard on Consolidated Financial Statements (AS 21) notified by the Companies (Accounting Standards) Rules, 2006.

All the below mentioned subsidiaries have been incorporated in India, other than Griha Investments which has been incorporated in Mauritius and Griha Pte. Ltd. which has been incorporated in Singapore.

Name of Subsidiary	Proportion of Ownership Interest (%)	
	Current Year	Previous Year
HDFC Developers Ltd.	100.00	100.00
HDFC Investments Ltd.	100.00	100.00
HDFC Holdings Ltd.	100.00	100.00
HDFC Asset Management Co. Ltd.	59.81	59.81
HDFC Trustee Co. Ltd.	100.00	100.00
HDFC Realty Ltd.	100.00	100.00
GRUH Finance Ltd.	59.15	59.69
HDFC Venture Capital Ltd.	80.50	80.50
HDFC Ventures Trustee Co. Ltd.	100.00	100.00
HDFC Sales Pvt. Ltd.	100.00	100.00
HDFC Property Ventures Ltd.	100.00	100.00
HDFC Investment Trust	100.00	100.00
HDFC Property Fund – Scheme - HDFC IT Corridor Fund (Upto March 28, 2014)	-	100.00
Griha Investments (Subsidiary of HDFC Holdings Ltd.)	100.00	100.00
Griha Pte Ltd. (Subsidiary of HDFC Investments Ltd.) (w.e.f. December 28, 2012)	100.00	100.00 <sup>#</sup>
Credila Financial Services Pvt. Ltd.	78.66	62.28
HDFC Education and Development Services Pvt. Ltd.	100.00	100.00

<sup>#</sup> Consequent to the incorporation of this subsidiary, the consolidated net worth of the current year is lower by ₹ Nil (Previous Year ₹ 0.19 crore) and the consolidated profit of the current year is lower by ₹ Nil (Previous Year ₹ 0.16 crore).

- 2.2 During the current year, the Corporation acquired the undermentioned companies, all incorporated in India, as an inspecie distribution from HDFC Property Fund - Scheme HDFC IT Corridor Fund. As per the Accounting Standard on Consolidated Financial Statements, (AS 21) notified by the Companies (Accounting Standard) Rules, 2006, those Companies have been excluded from consolidation, since they are held exclusively with a view to their subsequent disposal in the near future.

Name of Subsidiary	Proportion of Ownership Interest (%)	
	Current Year	Previous Year
Grandeur Properties Pvt. Ltd.	100.00	100.00
Haddock Properties Pvt. Ltd.	100.00	100.00
Pentagram Properties Pvt. Ltd.	100.00	100.00
Windermere Properties Pvt. Ltd.	100.00	100.00
Winchester Properties Pvt. Ltd.	100.00	100.00

- 2.3 The financial statements of the following subsidiary companies, all incorporated in India, which are in the nature of jointly controlled entities, have been consolidated as per Accounting Standard on Consolidated Financial Statements (AS 21) notified by the Companies (Accounting Standards) Rules, 2006.

## Notes forming part of the consolidated financial statements (Continued)

Name of Subsidiary (Jointly Controlled Entity)	Proportion of Ownership Interest (%)	
	Current Year	Previous Year
HDFC Standard Life Insurance Co. Ltd.	72.37	72.37
HDFC Pension Management Co. Ltd. (Subsidiary of HDFC Standard Life Insurance Co. Ltd.)	72.37	72.37
HDFC ERGO General Insurance Co. Ltd.	73.82	73.91

- 2.4 The Corporation has made an investment in H T Parekh Foundation, a Section 25 Company under Companies Act, 1956, wherein the profits will be applied for promoting its objects. Accordingly, the accounts of H T Parekh Foundation are not consolidated in these financial statements, since, the Corporation will not derive any economic benefits from its investments in H T Parekh Foundation.
- 2.5 Consequent to the above changes in the ownership interest, certain previous year balances have been considered on current ownership and accordingly the same is reflected in the Reserves and Surplus as 'Opening Adjustments'.
3. Investment made by the Corporation and its subsidiaries in the following associates, have been accounted for, under the equity method, in accordance with the Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006:

Name of Associate	Nature of Business	Proportion of Ownership Interest (%)	
		Current Year	Previous Year
HDFC Bank Ltd.	Banking Services	22.64	22.83
India Value Fund Advisors Pvt. Ltd.	Venture Capital	21.51	21.51
RuralShores Business Services Pvt. Ltd.#	BPO	27.47	34.04
IPFONLINE Ltd. (w.e.f. January 3, 2012 upto November 12, 2013)	Publishing	-	28.73

# As per Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006, the Investment in RuralShores Business Services Pvt. Ltd. has been excluded from consolidation since the share of losses exceeded the carrying amount of investment and the same has been fully provided for in the books of accounts of HDFC Ltd.

HDFC Ltd.'s share of profit in HDFC Bank Ltd. has been accounted for based on their consolidated financial statements.

## 4. SHARE CAPITAL

	As at March 31, 2014 ₹ in Crore	As at March 31, 2013 ₹ in Crore
<b>AUTHORISED</b>		
162,50,00,000 Equity Shares of ₹ 2 each	325.00	325.00
(Previous Year 162,50,00,000 Equity Shares of ₹ 2 each)	<u>325.00</u>	<u>325.00</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
156,05,32,605 Equity Shares of ₹ 2 each	312.10	309.27
(Previous Year 154,63,47,255 Equity Shares of ₹ 2 each)	<u>312.10</u>	<u>309.27</u>

## Notes forming part of the consolidated financial statements (Continued)

### 4.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	₹ in Crore	Number	₹ in Crore
Equity shares outstanding as at the beginning of the year	154,63,47,255	309.27	147,69,70,010	295.39
Shares allotted pursuant to exercise of stock options	1,41,85,350	2.83	1,46,93,995	2.94
Shares allotted pursuant to exchange of warrants	-	-	5,46,83,250	10.94
Equity shares outstanding as at the end of the year	156,05,32,605	312.10	154,63,47,255	309.27

### 4.2 The details of each shareholder holding more than 5 percent shares in the Corporation:

Particulars	Outstanding as on March 31, 2014		Outstanding as on March 31, 2013	
	Number	Percentage of shares held to total Shares (%)	Number	Percentage of shares held to total Shares (%)
Aberdeen Asset Management Asia Ltd. (on behalf of funds advised/managed)	11,10,21,121	7.11	12,74,90,319	8.24

### 4.3 3,35,28,585 shares of ₹ 2 each ( Previous Year 4,77,13,935 shares of ₹ 2 each) were reserved for issuance towards outstanding Employees Stock Options granted/available for grant, including lapsed options [Refer Note 4.4].

The Corporation has only one class of shares referred to as equity shares having Face Value of ₹ 2 each. Each holder of equity share is entitled to one vote per share.

The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by Shareholders at the Annual General Meeting.

### 4.4 Under Employees Stock Option Scheme – 2011 (ESOS – 11), the Corporation had on May 23, 2012, granted 61,02,475 stock options at an exercise price of ₹ 3,177.50 per option representing 3,05,12,375 equity shares of ₹ 2 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 11, the options would vest over a period of 1-3 years from the date of grant, but not later than May 22, 2015, depending upon option grantee completing continuous service of three years with the Corporation. Accordingly, during the year 58,26,953 options (Previous Year NIL options) were vested. In the current year 28,787 options (Previous Year 31,200 options) were lapsed. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme – 2008 (ESOS – 08), the Corporation had on November 25, 2008, granted 57,90,000 stock options at an exercise price of ₹ 1,350.60 per option representing 57,90,000 equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 08, the options would vest over a period of 1-3 years from the date of grant, but not later than November 24, 2011, depending upon option grantee completing continuous service of three years with the Corporation. Accordingly, all the options have been vested in the earlier years. In the current year 146 options (Previous Year 112 options) were lapsed after vesting. The options can be exercised over a period of five years from the date of respective vesting.



## Notes forming part of the consolidated financial statements (Continued)

Under Employees Stock Option Scheme – 2007 (ESOS-07), the Corporation had on September 12, 2007, granted 54,56,835 stock options at an exercise price of ₹ 2,149 per option representing 54,56,835 equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS-07, the options would vest over a period of 1-3 years from the date of grant, but not later than September 11, 2010, depending upon option grantee completing continuous service of three years with the Corporation. All the options have been vested in the earlier years. In the current year 28,742 options (Previous Year 525 options) were lapsed after vesting. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme – 2005 (ESOS-05), the Corporation had on October 25, 2005, granted 74,73,621 stock options at an exercise price of ₹ 912.90 per option representing 74,73,621 equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of the ESOS-05, the options would vest over a period of 2-3 years from the date of grant, but not later than October 24, 2008, depending upon option grantee completing continuous service of three years with the Corporation. All the options have been vested in the earlier years. In the current year Nil options (Previous Year 12,285 options) were lapsed after vesting. The options were exercisable over a period of five years from the date of respective vesting. Accordingly, all the options vested under ESOS-05 have been exercised.

### Method used for accounting for share based payment plan:

The Corporation has used intrinsic value method to account for the compensation cost of stock options to employees of the Corporation. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. Since the options under ESOS-11, ESOS-08, ESOS-07 and ESOS-05 were granted at the market price, the intrinsic value of the option is Nil. Consequently the accounting value of the option (compensation cost) is also Nil.

### Movement in the options under ESOS-11, ESOS-08, ESOS-07 and ESOS-05:

Particulars	ESOS-11	
	Options Current Year	Options Previous Year
Outstanding at the beginning of the year	60,71,275	-
Granted during the year	-	61,02,475
Vested during the year	58,26,953	-
Exercised during the year	6,36,073	-
Lapsed during the year	28,787	31,200
Outstanding at the end of the year	54,06,415	60,71,275
Unvested at the end of the year	2,25,182	60,71,275
Exercisable at the end of the year	51,81,233	-
Weighted average price per option	₹ 3,177.50	

## Notes forming part of the consolidated financial statements (Continued)

Particulars	ESOS-08	
	Options Current Year	Options Previous Year
Outstanding at the beginning of the year	17,56,739	22,81,083
Granted during the year	-	-
Vested during the year	-	-
Exercised during the year	5,74,236	5,24,232
Lapsed during the year	146	112
Outstanding at the end of the year	11,82,357	17,56,739
Unvested at the end of the year	-	-
Exercisable at the end of the year	11,82,357	17,56,739
Weighted average price per option	₹ 1,350.60	

Particulars	ESOS-07	
	Options Current Year	Options Previous Year
Outstanding at the beginning of the year	16,70,651	37,80,574
Granted during the year	-	-
Vested during the year	-	-
Exercised during the year	16,26,761	21,09,398
Lapsed during the year	28,742	525
Outstanding at the end of the year	15,148	16,70,651
Unvested at the end of the year	-	-
Exercisable at the end of the year	15,148	16,70,651
Weighted average price per option	₹ 2,149.00	

Particulars	ESOS-05	
	Options Current Year	Options Previous Year
Outstanding at the beginning of the year	-	3,17,454
Granted during the year	-	-
Vested during the year	-	-
Exercised during the year	-	3,05,169
Lapsed during the year	-	12,285
Outstanding at the end of the year	-	-
Unvested at the end of the year	-	-
Exercisable at the end of the year	-	-
Weighted average price per option	₹ 912.90	

With effect from August 21, 2010, the nominal face value of equity shares of the Corporation was sub-divided from ₹ 10 per share to ₹ 2 per share. Accordingly, each options exercised after August 21, 2010 is entitled to 5 equity shares of ₹ 2 each.

## Notes forming part of the consolidated financial statements (Continued)

### Fair Value Methodology:

The fair value of options have been estimated on the date of grant using Black-Scholes model as under:

The key assumptions used in Black-Scholes model for calculating fair value under ESOS-11, ESOS -08, ESOS-07 and ESOS-05 as on the date of grant viz. May 23, 2012, November 25, 2008, September 12, 2007 and October 25, 2005, are as follows:

Particulars	ESOS-11	ESOS-08	ESOS-07	ESOS-05
Risk-free interest rate (p.a.)	8.06%	6.94%	7.70%	6.38%
Expected life	Upto 2 years	Upto 2 years	Upto 2 years	2 to 3 years
Expected volatility of share price	15%	29%	19%	30%
Expected growth in dividend (p.a.)	20%	20%	20%	20%
The weighted average fair value, as on the date of grant (per Stock Option)	₹ 474.56	₹ 238.79	₹ 307.28	₹ 105.50

Since all the stock options granted under ESOS-08, ESOS-07 and ESOS-05 have been vested, the stock based compensation expense determined under fair value based method is ₹ Nil (Previous Year ₹ Nil). Accordingly there is no change in the reported and proforma net profit and Basic and Diluted EPS.

However, had the compensation cost for the stock options granted under ESOS-11 been determined based on the fair value approach, the Corporation's net profit and earnings per share would have been as per the pro-forma amounts indicated below:

₹ in Crore

Particulars	Current Year	Previous Year
Net Profit (as reported)	7,947.82	6,639.72
Less : Stock-based compensation expenses determined under fair value based method, net of tax: [Gross ₹ 52.98 crore (Previous Year ₹ 233.78 crore)] (pro forma)	34.97	157.93
Net Profit (pro forma)	7,912.85	6,481.79
Less: Amounts utilised out of Shelter Assistance Reserve	13.02	9.13
Less: Proportionate share of amounts utilised out of Corporate Social Responsibility Fund of HDFC Asset Management Company Limited	0.46	0.69
Net Profit considered for computing EPS (pro forma)	7,899.37	6,471.97

Amount in ₹

Particulars	Current Year	Previous Year
Basic earning per share (as reported)	51.01	43.63
Basic earning per share (pro forma)	50.79	42.59
Diluted earning per share (as reported)	50.61	43.09
Diluted earning per share (pro forma)	50.39	42.06

## Notes forming part of the consolidated financial statements (Continued)

### 5. RESERVES AND SURPLUS

	As at March 31, 2014 ₹ in Crore	As at March 31, 2013 ₹ in Crore
SPECIAL RESERVE No. I [Refer Note 5.2]	51.23	51.23
SPECIAL RESERVE No. II [Refer Note 5.2]	6,551.53	5,635.91
SPECIAL RESERVE Under Section 45-IC(1) of the RBI Act, 1934	33.04	26.73
GENERAL RESERVE	10,246.10	9,073.00
STATUTORY RESERVE (As per Section 29C of the National Housing Bank Act, 1987) [Refer Note 5.3]	3,145.83	2,290.87
REVALUATION RESERVE [Refer Note 5.4]	36.22	39.28
SECURITIES PREMIUM [Refer Note 5.5]	10,047.34	9,774.02
CAPITAL REDEMPTION RESERVE [Refer Note 5.6]	27.11	27.02
SHELTER ASSISTANCE RESERVE [Refer Note 5.10]	100.61	53.63
CORPORATE SOCIAL RESPONSIBILITY ACCOUNT [Refer Note 5.10]	1.55	2.01
FOREIGN CURRENCY TRANSLATION RESERVE	3.47	(0.05)
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (Debit Balance) [Refer Notes 5.11 and 5.12]	(142.34)	(169.79)
CAPITAL RESERVE [Refer Note 5.7]	0.04	0.04
CAPITAL RESERVE ON CONSOLIDATION	48.30	48.30
SURPLUS IN THE STATEMENT OF PROFIT AND LOSS (of subsidiaries and associates) [ Refer Note 5.1]	7,112.48	4,729.09
	<b>37,262.51</b>	<b>31,581.29</b>

### 5.1 SURPLUS IN THE STATEMENT OF PROFIT AND LOSS

	As at March 31, 2014 ₹ in Crore	As at March 31, 2013 ₹ in Crore
Opening Balance	4,729.09	3,097.76
Add: Opening Adjustment [Refer Note 2.5]	37.90	(0.91)
	<b>4,766.99</b>	<b>3,096.85</b>
Add: Profit after Tax for the year attributable to the Corporation	<b>7,947.82</b>	<b>6,639.72</b>
	<b>12,714.81</b>	<b>9,736.57</b>
<b>APPROPRIATIONS:</b>		
Special Reserve No. II [Refer Note 5.2]	916.62	797.09
Special Reserve (under Section 45-IC(1) of the Reserve Bank of India Act, 1934)	6.01	5.76
General Reserve	1,083.55	996.05
Statutory Reserve (As per Section 29C of the National Housing Bank Act, 1987) [Refer Note 5.3]	908.87	832.46
Shelter Assistance Reserve	60.00	40.00
Capital Redemption Reserve [Refer Note 5.6]	0.08	32.84
Proposed Dividend [Dividend @ ₹ 14 per equity share of ₹ 2 each (Previous Year @ ₹ 12.5 per equity share of ₹ 2 each)]	2,184.75	1,932.93
Additional Tax on Dividend	446.07	379.89
Additional Tax on Dividend FY 2011-12 [Refer Note 5.8]	(15.18)	(24.62)
Dividend [including tax of ₹ 1.70 Crore (Previous Year ₹ 2.12 Crore)] pertaining to previous year paid during the year [Refer Note 5.9]	11.56	15.08
	<b>7,112.48</b>	<b>4,729.09</b>

## Notes forming part of the consolidated financial statements (Continued)

- 5.2 Special Reserve has been created over the years in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of HDFC Ltd. and a Subsidiary. Special Reserve No. I relates to the amounts transferred upto Financial Year 1996-97, whereas Special Reserve No. II relates to the amounts transferred thereafter.
- 5.3 During the year, in addition to the charge of ₹ 110.20 Crore (Previous Year ₹ 148.59 Crore) to the Statement of Profit and Loss, an amount of ₹ 56.77 Crore (net of deferred tax of ₹ 29.23 Crore) [(Previous Year ₹ Nil) (net of Deferred Tax of ₹ Nil)], has been transferred from Statutory Reserve as per Section 29C of the National Housing Bank Act, 1987 by HDFC Ltd. and by one of the subsidiary company pursuant to circular NHB(ND)/DRS/Pol-No.03/2004-05 dated August 26, 2004 as under:

Particulars	₹ in Crore	
	As at March 31, 2014	As at March 31, 2013
To Provision for Contingencies Account (Net) [Refer Note 9.2]	75.17	57.77
To Provision for Non-Performing Loans [Refer Note 18.3]	117.97	39.11
To Provision for Doubtful Receivables [Refer Note 23]	-	51.71
To Minority Interest	3.06	-
	196.20	148.59

- 5.4 During the year, one of the subsidiary company (HDFC Standard Life Insurance Co. Ltd.) has decided to use the investment property for use in service and administrative purpose. Consequently value of the property so used for own business ₹ 41.37 crore (Previous Year ₹ Nil) has been reclassified from investment property to fixed assets. Thus, the Revaluation Reserve has been adjusted for ₹ 3.06 crore (Previous Year ₹ Nil), being depreciation on revalued amount from date of its classification as investment in properties till its reclassification to fixed assets.
- 5.5 During the year, ₹ 374.85 crore (Previous Year ₹ 456.73 crore) has been utilised out of the Securities Premium Account in accordance with Section 78 of the Companies Act, 1956. Out of the above, ₹ 0.28 crore (Previous Year ₹ 0.17 crore) has been utilised by one of the subsidiary companies towards debenture issue expenses, ₹ 17.40 crore (Previous Year ₹ 18.52 crore) has been utilised by one of the subsidiary companies towards buy-back of equity shares and ₹ 357.17 crore (net of tax ₹ 183.91 crore) [(Previous Year ₹ 438.04 crore) (net of tax ₹ 175.54 crore)] has been utilised by HDFC Ltd. towards the proportionate premium payable on the redemption of Zero Coupon Secured Redeemable Non-Convertible Debentures.
- 5.6 HDFC Asset Management Company Limited (HDFC AMC), pursuant to the approval of its shareholders at the Extra General Meetings and in accordance with the provisions of the Companies Act, 1956 (Act) and Private Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999, has bought back 1,41,500 equity shares during the year (Previous Year 4,84,650) at an aggregate value of ₹ 35.13 crore (Previous Year ₹ 112.78 crore). HDFC AMC has utilised the Securities Premium Account and Free Reserves for this purpose. A sum of ₹ 0.08 crore (Previous Year ₹ 0.29 crore) has been transferred to Capital Redemption Reserve in terms of Section 77AA of the Act.
- 5.7 During the year 2009-10, the Corporation had made a simultaneous issue of Zero Coupon Secured Redeemable Non-Convertible Debentures (ZCD) aggregating to ₹ 4,000 crore and 1,09,53,706 warrants at a issue price of ₹ 275 per warrant aggregating to ₹ 301.23 crore. Each of the warrants entitled the holder to acquire one equity share of the Corporation at an exercise price of ₹ 3,000 per share of face value of ₹ 10 each (now exercise price of ₹ 600 per share of face value of ₹ 2 each) on or before August 23, 2012. The said issue of ZCD and Warrants was made under Chapter XIII-A of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. In the Previous Year the Subscription amount received on Issue of warrants has been transferred from Capital Reserve to Securities Premium Account as the same is not refundable/adjustable in future.
- 5.8 Additional Tax on dividend FY 2012-13 credit taken, ₹ 15.18 crore (Previous Year ₹ 24.62 crore), pertains to the dividend tax paid by the subsidiary companies of the Corporation on the dividend paid to the Corporation as per Section 115(O)(1A) of the Income Tax Act, 1961.

## Notes forming part of the consolidated financial statements (Continued)

- 5.9 In respect of equity shares issued pursuant to Employee Stock Option Schemes and exchange of warrants, HDFC Ltd. paid dividend of ₹ 9.73 crore for the year 2012-13 (₹ 12.83 crore for the year 2011-12) and tax on dividend of ₹ 1.66 crore (Previous Year ₹ 2.08 crore) as approved by the shareholders at the Annual General Meeting held on July 19, 2013 and GRUH Finance Ltd. paid dividend of ₹ 0.13 crore for the year 2012-13 (₹ 0.13 crore for the year 2011-12) and tax on dividend of ₹ 0.04 crore (Previous Year ₹ 0.04 crore) as approved by the shareholders at the Annual General Meeting held on July 8, 2013.
- 5.10 Miscellaneous Expenses under Note 31 exclude ₹ 13.02 crore (Previous Year ₹ 9.13 crore) in respect of amounts utilised out of Shelter Assistance Reserve and ₹ 0.46 crore (Previous Year ₹ 0.69 crore) in respect of amounts utilised out of Corporate Social Responsibility Account during the year.
- 5.11 Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending the Accounting Standard 11, the Corporation has exercised the option as per Para 46A inserted in the Standard for all long term monetary assets and liabilities. Consequently, an amount of ₹ 142.34 crore (without considering future tax benefit of ₹ 48.38 crore) [(Previous Year ₹ 169.79 crore) (without considering future tax benefits of ₹ 57.71 crore)] is carried forward in the Foreign Currency Monetary Items Translation Difference Account as on March 31, 2014. This amount is to be amortised over the period of the monetary assets/liabilities ranging upto 5 years.
- 5.12 During the year, there was a net reduction of ₹ 27.45 crore (Previous Year ₹ 36.45 crore) in the Foreign Currency Monetary Items Translation Difference Account as under:

₹ in Crore

Particulars	Current Year	Previous Year
Net Revaluation of monetary assets & liabilities	21.95	(30.55)
Net Credit to the Statement of Profit & Loss on account of repayments during the year	31.36	30.18
Net amortisation credit (debit) during the year	(25.86)	36.82
Net reduction during the year	27.45	36.45

6. The Funds for Future Appropriations (FFA), in the participating segment, represents the surplus, which is not allocated to policyholders or shareholders as at the Balance Sheet date. Transfers to and from the fund reflect the excess/deficit of income over expenses/expenses over income respectively and appropriations in each accounting period arising in the Company's policyholders' fund. Any allocation to the par policyholders would also give rise to a transfer to Shareholders' Profit and Loss Account in the required proportion.

The FFA in the linked segment represents surplus on the lapsed policies unlikely to be revived. This surplus is required to be held within the policyholders' fund till the time policyholders are eligible for revival of their policies.

## 7. LONG-TERM BORROWINGS

₹ in Crore

Particulars		As at March 31, 2014	As at March 31, 2013
Bonds and Debentures [Refer Note 7.8]	57,480.85		58,993.80
Term Loans: [Refer Note 7.8]			
- Banks	7,900.92		7,233.80
- External Commercial Borrowing - Low Cost Affordable Housing [Refer Note 7.4]	1,805.10		-
- Others	4,039.77	71,226.64	3,180.08
Deposits		20,531.13	24,210.78
Others (Finance Lease)		0.01	0.07
		91,757.78	93,618.53



## Notes forming part of the consolidated financial statements (Continued)

### 7.1 Long Term Borrowings are further sub classified as follows:

₹ in Crore

Sr. No.	Particulars		As at March 31, 2014	As at March 31, 2013
	<b>Secured : [Refer Note 7.2]</b>			
a)	<b>Bonds and Debentures</b>			
	- Bonds	52.25		57.50
	- Non-Convertible Debentures	53,930.60		55,426.30
b)	<b>Term Loans from Banks</b>			
	- Scheduled Banks	7,118.71		6,534.50
c)	<b>Term Loans from other parties</b>			
	- Asian Development Bank [Refer Note 7.3]	257.52		276.75
	- Kreditanstalt für Wiederaufbau	0.00		10.65
	- National Housing Bank	3,764.81	65,123.89	2,858.54
d)	<b>Others (Finance Lease)</b>		0.01	0.07
	<b>Total Secured</b>		<b>65,123.90</b>	<b>65,164.31</b>
	<b>Unsecured:</b>			
a)	<b>Bonds and Debentures</b>			
	- Non-Convertible Subordinated Debentures	3,498.00		3,510.00
b)	<b>Term Loans from Banks</b>			
	- Scheduled Banks	782.21		699.30
c)	<b>External Commercial Borrowing - Low Cost Affordable Housing</b>	1,805.10		-
d)	<b>Term Loans from other parties</b>			
	- Under a line from Kreditanstalt für Wiederaufbau	17.44		34.14
e)	<b>Deposits [Refer Note 7.7]</b>	20,531.13		24,210.78
	<b>Total Unsecured</b>		<b>26,633.88</b>	<b>28,454.22</b>
			<b>91,757.78</b>	<b>93,618.53</b>

### 7.2 All secured Long-Term Borrowings are secured by

- Negative Lien on the assets and mortgage of properties of the HDFC Ltd. and GRUH Finance Ltd., subject to the charge created to an extent of 5% on its Total Assets of HDFC Ltd. and greater than 5% in case of GRUH Finance Ltd., pursuant to the regulatory requirement under Section 29B of The National Housing Bank Act, 1987.
- First charge by way of hypothecation of education loan receivables of one of the subsidiary company's underlying portfolio of education loans and related collaterals.
- Encumbrance on leased vehicles of one of the subsidiary company, in respect of its finance lease arrangement.

### 7.3 The Corporation has availed a loan of USD 100 million from the Asian Development Bank (Loan II). In respect of tranches 1 and 2 aggregating to USD 60 million, as per the agreements with a scheduled bank, the Corporation has handed over the dollar funds to the bank overseas and has obtained rupee funds in India amounting to ₹ 200 crore by way of a term loan and ₹ 100 crore through the issue of bonds which have been subscribed by the bank.

In respect of tranche 3 of USD 40 million, as per the agreement with a financial institution, the Corporation has handed over the dollars to a financial institution overseas and under a back-to-back arrangement obtained rupee funds in India. All payments in foreign currency are the responsibility of the financial institution. In terms of the agreements, the Corporation's foreign exchange liability is protected.

## Notes forming part of the consolidated financial statements (Continued)

7.4 During the year, the Corporation has availed an External Commercial Borrowing of USD 300 million for financing prospective owners of low cost affordable housing units under “approval route” in terms of RBI guidelines dated December 17, 2012. The borrowing has a maturity of five years. In terms of the Reserve Bank of India guidelines, these borrowings have been swapped into rupees for the entire maturity by way of principal only swaps.

7.5 As on March 31, 2014, the Corporation has foreign currency borrowings of USD 740.63 million equivalent (Previous Year USD 632.96 million equivalent). The Corporation has undertaken currency swaps, options and forward contracts on a notional amount of USD 513 million equivalent (Previous Year USD 286.75 million equivalent) to hedge the foreign currency risk. Further, interest rate swaps on a notional amount of USD 83 million equivalent (Previous Year USD 130 million equivalent) are outstanding, which have been undertaken to hedge the interest rate risk on the foreign currency borrowings. As on March 31, 2014, the Corporation's net foreign currency exposure on borrowings net of risk management arrangements is USD Nil (Previous Year USD Nil).

As a part of asset liability management on account of the Corporation's Adjustable Rate Home Loan product as well as to reduce the overall cost of borrowings, the Corporation has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities of a notional amount of ₹ 19,040 crore (Previous Year ₹ 21,185 Crore) as on March 31, 2014 for varying maturities into floating rate liabilities linked to various benchmarks. In addition, the Corporation has entered into currency swaps of a notional amount of USD 409.49 million equivalent (Previous Year USD 476.45 million equivalent) through which it has converted its rupee liabilities into foreign currency liabilities and the interest rate is linked to the benchmarks of respective currencies.

7.6 Monetary assets and liabilities (including those in respect of currency swap contracts) denominated in foreign currencies net of risk management arrangement are revalued at the rate of exchange prevailing at the year end. Monetary items represented by currency swap contracts are restated at the closing rate.

For forward contracts or instruments that are in substance, forward exchange contracts, the premiums on such contracts are being amortised over the life of contracts. The amount of exchange difference in respect of such contracts to be recognised as expense in the Statement of Profit and Loss over subsequent accounting periods is ₹ 6.77 crore (Previous Year ₹ 29.90 crore).

7.7 Public deposits as defined in paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.

7.8 Terms of redemption of bonds and debentures and for repayment terms of term loans:

### A) BONDS & DEBENTURES

(Previous Year figures are in brackets)  
₹ in Crore

Bonds & Debentures - Secured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
6.03% - 8%	1,380.60 (2,820.60)	500.00 (800.00)	- -	1,880.60 (3,620.60)
8.01% - 10%	24,349.00 (20,020.70)	10,511.00 (13,425.00)	7,910.00 (9,105.00)	42,770.00 (42,550.70)
10.01% - 11.95%	1,085.00 -	5,295.00 (2,195.00)	- (4,185.00)	6,380.00 (6,380.00)
Zero Coupon	2,435.00 (450.00)	360.00 (2,320.00)	- -	2,795.00 (2,770.00)

Notes forming part of the consolidated financial statements (Continued)

Variable Rate - Linked to G Sec		116.75 (116.00)	13.15 (12.30)	27.35 (34.20)	157.25 (162.50)
TOTAL SECURED	A A	29,366.35 (23,407.30)	16,679.15 (18,752.30)	7,937.35 (13,324.20)	53,982.85 (55,483.80)
Bonds & Debentures - Unsecured					
Maturities -		1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest					
7.62% - 10%		975.00 (500.00)	- (475.00)	2,523.00 (2,535.00)	3,498.00 (3,510.00)
TOTAL-UNSECURED	B B	975.00 (500.00)	- (475.00)	2,523.00 (2,535.00)	3,498.00 (3,510.00)
TOTAL (SECURED & UNSECURED)	A+B A+B	30,341.35 (23,907.30)	16,679.15 (19,227.30)	10,460.35 (15,859.20)	57,480.85 (58,993.80)

B) TERM LOANS FROM BANKS

(Previous Year figures are in brackets)

₹ in Crore

Term Loans from Banks - Secured					
Maturities -		1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest					
Term Loans from Scheduled Banks - Rupee					
7.01% - 9%		323.00 (323.00)	- -	- -	323.00 (323.00)
9.01% - 12.00%		1,620.24 (1,398.61)	2,952.38 (2,809.65)	2,223.09 (2,003.24)	6,795.71 (6,211.50)
TOTAL SECURED	A A	1,943.24 (1,721.61)	2,952.38 (2,809.65)	2,223.09 (2,003.24)	7,118.71 (6,534.50)
Term Loans from Banks - Unsecured					
Maturities -		1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest					
Term Loans from Scheduled Banks - Rupee					
10.50%		- (100.00)	-	-	- (100.00)
Term Loans from Scheduled Banks - Foreign Currency					
USD LIBOR + 325 bps		782.21 -	- (599.30)	- -	782.21 (599.30)
TOTAL UNSECURED	B B	782.21 (100.00)	- (599.30)	- -	782.21 (699.30)
TOTAL (SECURED & UNSECURED)	A+B A+B	2,725.45 (1,821.61)	2,952.38 (3,408.95)	2,223.09 (2,003.24)	7,900.92 (7,233.80)

## Notes forming part of the consolidated financial statements (Continued)

### C) EXTERNAL COMMERCIAL BORROWING - LOW COST AFFORDABLE HOUSING - UNSECURED

(Previous Year figures are in brackets)  
₹ in Crore

External Commercial Borrowing - Low Cost Affordable Housing - Unsecured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
USD LIBOR + 175 bps	-	1,805.10	-	1,805.10
	-	-	-	-
TOTAL UNSECURED	-	1,805.10	-	1,805.10
	-	-	-	-

### D) TERM LOANS FROM OTHER PARTIES

(Previous Year figures are in brackets)  
₹ in Crore

Term Loans from Other parties - Secured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
Asian Development Bank USD LIBOR + 40 bps	14.03 (11.86)	15.87 (13.42)	32.92 (36.94)	62.82 (62.22)
Variable linked to Bank PLR	23.32 (21.93)	26.37 (24.80)	54.71 (68.30)	104.40 (115.03)
Variable linked to G Sec	20.17 (18.97)	22.81 (21.45)	47.32 (59.08)	90.30 (99.50)
Kreditanstalt für Wiederaufbau 1.70%	(10.65)	-	-	- (10.65)
National Housing Bank 5.5% - 8%	389.43 (456.40)	216.49 (309.75)	31.38 (100.62)	637.30 (866.77)
8.01% - 10%	927.81 (776.75)	535.27 (442.18)	879.34 (678.95)	2,342.42 (1,897.88)
10.01% -12%	217.62 (93.89)	107.44 -	460.03 -	785.09 (93.89)
TOTAL SECURED	A 1,592.38 A (1,390.46)	924.24 (811.59)	1,505.71 (943.89)	4,022.33 (3,145.94)
Term Loans from Other parties - Unsecured				
Maturities -	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest				
Kreditanstalt für Wiederaufbau - 6%	17.44 (31.14)	- (3.00)	-	17.44 (34.14)
TOTAL UNSECURED	B 17.44 B (31.14)	- (3.00)	-	17.44 (34.14)
TOTAL (SECURED & UNSECURED)	A+B 1,609.82 A+B (1,421.60)	924.24 (814.59)	1,505.71 (943.89)	4,039.77 (3,180.08)

## Notes forming part of the consolidated financial statements (Continued)

### 8. OTHER LONG-TERM LIABILITIES

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Amounts payable on swaps [Refer Note 7.6]	718.60	486.08
Interest Accrued but not due on Borrowings	755.83	967.48
Premium payable on redemption of Debentures	693.65	315.34
Security and Other Deposits Received	14.05	15.11
Income Received in Advance	45.99	31.13
Trade Payables	41.19	186.82
Accrued Redemption Loss on Investments	18.89	19.27
Others	-	0.07
	2,288.20	2,021.30

### 9. LONG-TERM PROVISIONS

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Provision for Employee Benefits [Refer Note 29.2]	43.64	43.69
Provision for Contingencies [Refer Notes 9.1 and 9.2]	1,370.14	1,315.40
Reserve for Unexpired Risk (Includes Insurance Reserve)	268.42	198.05
	1,682.20	1,557.14

9.1 Provision for Contingencies includes provisions for standard assets and all other contingencies. In accordance with the prudential norms of National Housing Bank and Reserve Bank of India, the minimum provision required to be carried forward is ₹ 1,042.85 crore (Previous Year ₹ 1,150.58 crore) and ₹ 3.04 crore (Previous Year ₹ 1.99 crore) respectively.

9.2 Movement in Provision for Contingencies Account during the year is as under:

₹ in Crore

Particulars	Current Year	Previous Year
Opening Balance	1,315.40	1,270.04
Additions during the year (Net) [Refer Note 5.3]	75.17	57.77
Utilised during the year towards Diminution in Value of Investments, etc.	(20.43)	(12.41)
Closing Balance	1,370.14	1,315.40

### 10. SHORT-TERM BORROWINGS

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Loans repayable on demand:		
- from Banks - Unsecured	9.64	279.60
Deposits - Unsecured [Refer Note 7.7]	5,757.90	5,652.81
Other loans and advances		
- Scheduled Banks - Secured [Refer Note 10.1]	9,845.00	3,285.00
- National Housing Bank - Secured [Refer Note 10.1]	-	36.85
- Scheduled Banks - Unsecured	500.00	
- Commercial Papers - Unsecured	10,230.00	9,675.00
	26,342.54	18,929.26

## Notes forming part of the consolidated financial statements (Continued)

### 10.1 All secured Long-Term Borrowings are secured by

- (i) Negative Lien on the assets and mortgage of properties of the HDFC Ltd. and GRUH Finance Ltd., subject to the charge created to an extent of 5% on its Total Assets of HDFC Ltd. and greater than 5% in case of GRUH Finance Ltd., pursuant to the regulatory requirement under section 29B of the National Housing Bank Act, 1987.
- (ii) First charge by way of hypothecation of education loan receivables of one of the subsidiary company's underlying portfolio of education loans and related collaterals.

### 11. TRADE PAYABLES

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Trade payables	2,803.27	2,169.27
	2,803.27	2,169.27

### 12. OTHER CURRENT LIABILITIES

₹ in Crore

Particulars		As at March 31, 2014	As at March 31, 2013
Policy Liabilities (Policyholder's Fund)		4,300.42	4,238.40
Current maturities of long-term borrowings		72,831.68	51,114.90
Interest accrued but not due on borrowings	5,393.57		4,268.05
Interest Accrued and due on Borrowings	7.37		4.96
Premium payable on redemption of Debentures	167.17		402.62
Interest accrued and due on matured deposits	55.19		33.10
Income and other amounts received in advance	218.06		249.69
Unclaimed dividend	15.26		12.38
Unclaimed matured deposits	446.13		313.15
Current Maturities of Finance Lease Obligations [Refer Note 12.3]	0.05		0.11
Other payables			
- Statutory Remittances	186.23		203.69
- Financial Assistance from Kreditanstalt für Wiederaufbau	20.93		164.78
- Amounts payable - Securitised Loans	514.84		449.39
- Amounts payable to Gratuity Fund	-		6.34
- Amounts payable on swaps [Refer Note 7.6]	167.24		102.09
- Accrued Redemption Loss on Investments	2.32		9.40
- Others	365.57		637.16
		7,559.93	6,856.91
		84,692.03	62,210.21



## Notes forming part of the consolidated financial statements (Continued)

### 12.1 Current maturities of Long-Term Borrowings are further sub classified as follows:

₹ in Crore

S. No.	Particulars	As at March 31, 2014	As at March 31, 2013
	<b>Secured [Refer Note 12.2]</b>		
a)	<b>Bonds and Debentures</b>		
	- Bonds	5.25	5.00
	- Non-Convertible Debentures	26,955.00	19,918.30
b)	<b>Term Loans from Banks</b>		
	- Scheduled Banks	12,119.30	5,052.74
c)	<b>Term Loans from other parties</b>		
	- Asian Development Bank	26.22	24.05
	- Kreditanstalt für Wiederaufbau	12.74	10.65
	- National Housing Bank	893.06	892.75
	<b>Unsecured</b>		
a)	<b>Bonds and Debentures</b>		
	- Non-Convertible Subordinated Debentures	80.70	411.00
b)	<b>Term Loans from Banks</b>		
	- Scheduled Banks	1,455.92	2,100.81
c)	<b>Term Loans from other parties</b>		
	- Under a line from Kreditanstalt für Wiederaufbau	16.70	5.00
d)	<b>Deposits [Refer Note 7.7]</b>	31,266.79	22,694.60
		<b>72,831.68</b>	<b>51,114.90</b>

### 12.2 Secured Current maturities of Long-Term Borrowings are secured by:

- Negative Lien on the assets and mortgage of properties of the HDFC Ltd. and GRUH Finance Ltd., subject to the charge created to an extent of 5% on its Total Assets of HDFC Ltd. and greater than 5% in case of GRUH Finance Ltd., pursuant to the regulatory requirement under Section 29B of the National Housing Bank Act, 1987.
- First charge by way of hypothecation of education loan receivables of one of the subsidiary company's underlying portfolio of education loans and related collaterals.

### 12.3 Current maturities of Finance lease obligation are Secured by encumbrance on leased vehicles of one of the subsidiary company, in respect of its finance lease arrangement.

## 13. SHORT-TERM PROVISIONS

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Provision for Employee benefits [Refer Note 29.2]	163.66	144.06
Provision for Tax (net of Advance Tax)	75.00	74.79
Proposed Dividend	2,184.75	1,932.93
Additional Tax on Proposed Dividend	380.48	336.08
Reserve for Unexpired Risk (Includes Insurance Reserve)	847.21	736.75
	<b>3,651.10</b>	<b>3,224.61</b>

## Notes forming part of the consolidated financial statements (Continued)

### 14. TANGIBLE ASSETS

(Previous Year figures are in brackets)  
₹ in Crore

	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at March 31, 2013	Additions	Deductions	As at March 31, 2014	As at March 31, 2013	For the Year	Deductions	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Land :										
Freehold	16.67	-	-	16.67	-	-	-	-	16.67	16.67
	(16.67)	-	-	(16.67)	-	-	-	-	(16.67)	(16.67)
Leasehold	3.44	-	-	3.44	0.62	0.04	-	0.66	2.78	2.82
	(3.44)	-	-	(3.44)	(0.58)	(0.04)	-	(0.62)	(2.82)	(2.86)
Buildings :										
Own Use	519.37	61.90	7.63	573.64	58.40	3.54	(9.12)	71.06	502.58	460.97
	(519.36)	(0.05)	(0.04)	(519.37)	(49.93)	(3.62)	4.85	(58.40)	(460.97)	(469.43)
Leasehold Improvements	60.19	57.32	6.79	110.72	42.95	10.57	5.09	48.43	62.29	17.24
	(53.61)	(8.85)	(2.27)	(60.19)	(36.35)	(7.77)	(1.17)	(42.95)	(17.24)	(17.26)
Computer Hardware	210.69	39.96	38.24	212.41	160.91	10.48	22.84	148.55	63.86	49.78
	(197.14)	(31.05)	(17.50)	(210.69)	(157.15)	(9.10)	(5.34)	(160.91)	(49.78)	(39.99)
Furniture & Fittings:										
Own Use	138.89	27.46	11.35	155.00	118.75	5.72	6.86	117.61	37.39	20.14
	(137.69)	(8.26)	(7.06)	(138.89)	(115.01)	(3.95)	(0.21)	(118.75)	(20.14)	(22.68)
Under Operating Lease	0.71	-	-	0.71	0.62	0.01	-	0.63	0.08	0.09
	(0.71)	-	-	(0.71)	(0.60)	(0.02)	-	(0.62)	(0.09)	(0.11)
Office Equipment etc.:										
Own Use	138.80	27.58	11.34	155.04	106.40	6.84	6.21	107.03	48.01	32.40
	(136.47)	(9.73)	(7.40)	(138.80)	(100.83)	(5.58)	(0.01)	(106.40)	(32.40)	(35.64)
Under Operating Lease	0.80	-	-	0.80	0.65	0.02	-	0.67	0.13	0.15
	(0.80)	-	-	(0.80)	(0.63)	(0.02)	-	(0.65)	(0.15)	(0.17)
Vehicles :										
Owned	20.76	5.82	1.73	24.85	10.04	2.21	(0.28)	12.53	12.32	10.72
	(15.33)	(7.45)	(2.02)	(20.76)	(8.49)	(2.20)	(0.65)	(10.04)	(10.72)	(6.84)
Under Finance Lease	0.66	-	0.37	0.29	0.53	-	0.29	0.24	0.05	0.13
	(0.66)	-	-	(0.66)	(0.40)	-	0.13	(0.53)	(0.13)	(0.26)
Leased Assets :										
Plant & Machinery*	130.65	-	1.47	129.18	130.65	-	1.47	129.18	-	-
	(130.65)	-	-	(130.65)	(130.65)	-	-	(130.65)	-	-
Vehicles*	16.37	-	-	16.37	16.37	-	-	16.37	-	-
	(16.37)	-	-	(16.37)	(16.37)	-	-	(16.37)	-	-
Computers*	0.20	-	0.20	-	0.20	-	0.20	-	-	-
	(0.20)	-	-	(0.20)	(0.20)	-	-	(0.20)	-	-
Total	1,258.20	220.04	79.12	1,399.12	647.09	(2)39.43	(1)33.56	652.96	746.16	611.11
Previous Year	(1,229.10)	(65.39)	(36.29)	(1,258.20)	(617.19)	(32.30)	(2.40)	(647.09)	(611.11)	(611.91)

(\*) Assets held for disposal

#### Notes

- Net of depreciation for the year amounting to ₹ 36.76 crore (Previous Year ₹ 31.83 crore) included in Other expenses pertaining to Insurance Business.
- Depreciation for the financial year excludes ₹ 2.27 crore (Previous Year ₹ 2.42 crore) being depreciation charge on Investment in Properties.

## Notes forming part of the consolidated financial statements (Continued)

### 15. INTANGIBLE ASSETS

(Previous Year figures are in brackets)  
₹ in Crore

	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at March 31, 2013	Additions	Deductions	As at March 31, 2014	As at March 31, 2013	For the Year	Deductions	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Computer Software	141.79 (105.12)	46.46 (36.67)	-	188.25 (141.79)	87.57 (67.86)	4.98 (4.42)	(25.28) 15.29	117.83 (87.57)	70.42 (54.22)	54.22 (37.26)
Goodwill	149.41 (149.41)	-	-	149.41 (149.41)	149.36 (134.44)	-	-	149.36 (149.36)	0.05 (0.05)	0.05 (14.97)
Website Development	2.45 (2.39)	0.07 (0.06)	-	2.52 (2.45)	2.33 (2.19)	0.17 (0.14)	-	2.50 (2.33)	0.02 (0.12)	0.12 (0.20)
<b>Total</b>	<b>293.65</b>	<b>46.53</b>	<b>-</b>	<b>340.18</b>	<b>239.26</b>	<b>5.15</b>	<b>(25.28)</b>	<b>269.69</b>	<b>70.49</b>	<b>54.39</b>
<i>Previous Year</i>	<i>(256.92)</i>	<i>(36.73)</i>	<i>-</i>	<i>(293.65)</i>	<i>(204.49)</i>	<i>(19.48)</i>	<i>15.29</i>	<i>(239.26)</i>	<i>(54.39)</i>	<i>(52.43)</i>

#### Notes

- (1) Net of depreciation for the year amounting to ₹ 25.26 crore (Previous Year ₹ 15.30 crore) included in Other expenses pertaining to Insurance Business.

### 16. NON-CURRENT INVESTMENTS

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Investment in Associates:</b>		
<b>Equity Shares</b>		
Equity Investments in Associates by the Holding Company	1,468.97	1,468.59
Equity Investments in Associate by Subsidiaries	73.32	73.32
	1,542.29	1,541.91
Add: Goodwill on Acquisition of Associates (share of pre-acquisition of losses)	3,891.12	3,897.81
	5,433.41	5,439.72
Add: Adjustment of post-acquisition share of profit of Associates (Equity Method)	8,833.19	7,123.13
	14,266.60	12,562.85
Less: Provision for Diminution in Value of Investments	(2.50)	-
<b>(A)</b>	<b>14,264.10</b>	<b>12,562.85</b>
<b>Other Investments</b>		
<b>Insurance Companies</b>		
Equity Shares - Other Companies	23,124.73	18,235.16
Preference Shares	55.19	-
Non-Convertible Debentures and Bonds	10,523.37	8,704.28
Pass Through Certificates & Security Receipts	37.37	112.69
Government Securities	11,929.09	8,966.39
Mutual Funds and Other Funds	14.04	15.20
Fixed Deposits	199.25	241.25
Properties (Net of Depreciation)	-	41.37
	45,883.04	36,316.34
Add: Fair Value Adjustment	(7.93)	10.84
<b>(B)</b>	<b>45,875.11</b>	<b>36,327.18</b>

## Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Investments related to Policy Holders	12,561.57	9,013.94
Investments to cover linked liabilities	30,020.18	24,902.14
Investments related to Shareholders	3,293.36	2,411.10
	45,875.11	36,327.18

### 16.1 Encumbrances

The assets of the subsidiary company (HDFC Standard Life Insurance Company Limited) are free from any encumbrances at March 31, 2014, except for Fixed Deposits and Government Securities, mentioned below, kept as margin against bank guarantees/margin with exchange and collateral securities issued.

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
(i) issued in India	88.01	68.09
(ii) issued outside India	0.08	0.07
<b>Total</b>	<b>88.09</b>	<b>68.16</b>
<b>Other Investments</b>		
<b>Other Than Insurance Companies</b>		
Equity Shares - Subsidiary and Associate	10.01	10.44
Equity Shares - Other Companies	810.66	822.16
Preference Shares	97.75	57.75
Debentures and Bonds	394.41	777.43
Pass Through Securities & Security Receipts	63.88	71.05
Government Securities	3,765.29	2,804.32
Mutual Funds and Other Funds	77.09	124.99
Properties (Net of Depreciation)	102.88	141.55
	5,321.97	4,809.69
Less: Provision for Diminution in Value of Investments	(83.92)	(83.48)
	(C) 5,238.05	4,726.21
<b>Total (A) + (B) + (C)</b>	<b>65,377.26</b>	<b>53,616.24</b>

₹ in Crore

Particulars	Book Value	Market Value
<b>Aggregate book value of Quoted Investments</b>	<b>443.09</b>	<b>572.79</b>
<i>Previous Year</i>	<i>417.61</i>	<i>682.55</i>
<b>Aggregate book value of Investments listed but not quoted</b>	<b>3,926.38</b>	
<i>Previous Year</i>	<i>2,966.24</i>	
<b>Aggregate book value of Investments in Unquoted Mutual Funds</b>	<b>10.00</b>	<b>*10.06</b>
<i>Previous Year</i>	<i>5.00</i>	<i>5.02</i>
<b>Aggregate book value of Unquoted Investments (Others)</b>	<b>755.70</b>	
<i>Previous Year</i>	<i>1,195.81</i>	
<b>Properties</b>	<b>102.88</b>	
<i>Previous Year</i>	<i>141.55</i>	
	5,238.05	
	4,726.21	

\* Market value of investments in Unquoted Mutual Funds represents repurchase price of units issued by Mutual Funds.

#### Note:

Unquoted investments include ₹ 6.08 crore (Previous Year ₹ 9.71 crore) in respect of equity shares, which are subject to a lock-in period and include ₹ 35.96 crore (Previous Year ₹ 20.95 crore) in respect of equity shares, which are subject to restrictive covenant.

## Notes forming part of the consolidated financial statements (Continued)

### 17. DEFERRED TAX ASSET

In compliance with the Accounting Standard 22 on 'Accounting for Taxes on Income' notified by the Companies (Accounting Standards) Rules, 2006, debit has been taken for ₹ 41.29 crore (Previous Year credit had been taken ₹ 5.25 crore) in the Statement of Profit and Loss for the year ended March 31, 2014 towards deferred tax asset (net) for the year, arising on account of timing differences and ₹ 29.23 crore (Previous Year ₹ Nil) has been adjusted against the utilisation from Statutory Reserve u/s 29C of National Housing Bank Act, 1987 as per Note 5.3.

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

₹ in Crore

Particulars	Deferred Tax Liability		Deferred Tax Assets	
	Assets/(Liabilities)		Assets/(Liabilities)	
	Current Year	Previous Year	Current Year	Previous Year
(a) Depreciation	(17.15)	-	(42.86)	(56.55)
(b) Preliminary Expenses	-	-	0.02	0.03
(c) Provision for Contingencies	-	-	691.88	648.65
(d) Provision for Employee Benefits	1.03	-	34.82	29.80
(e) Accrued Redemption Loss (net)	-	-	8.11	10.61
(f) Unabsorbed Depreciation	-	-	-	13.55
(g) Others (net)	0.30	-	(28.63)	13.49
<b>Total</b>	<b>(15.82)</b>	<b>-</b>	<b>663.34</b>	<b>659.58</b>

- (i) In the previous year, in respect of HDFC ERGO General Insurance Company Limited, in view of the existence of unabsorbed depreciation and carried forward business loss as at the previous year, the recognition of deferred tax assets is restricted to the extent of deferred tax liability arising from timing differences on account of depreciation, reversal of which is virtually certain.
- (ii) In respect of Credila Financial Services Pvt. Ltd., the deferred tax assets are recognised only to the extent that there are timing differences and there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- (iii) In respect of HDFC Standard Life Insurance Company Ltd., during the year provision for tax (net) amounting to ₹ 68.83 crore (Previous year ₹ 55.86 crore), ₹ 151.60 crore charged to the Revenue Account (Previous year ₹ 51.62 crore) and (₹ 82.77 crore) (credited)/charged in the Profit and Loss Account (Previous year ₹ 4.24 crore), in accordance with the Income tax Act, 1961 and Rules and Regulations there under as applicable to the Company.

Pursuant to the order of the Tax Appellate Authorities dated September 20, 2013, received during the year, in accordance to the Accounting Standard 22, notified by the Companies (Accounting Standards) Rules, 2006, the Company has reassessed the unrecognised Deferred Tax Asset on carried forward losses in each line of business (segments) and has recognised previously unrecognised Deferred Tax Assets to the extent that it has become virtually certain that sufficient taxable income is available against which the Deferred Tax Asset can be utilised.

Form A-RA and Part V of Schedule A of the IRDA Financial Statements Regulations, requires tax expense to be charged to each line of business (segments). Accordingly, the Company has charged tax expense on respective lines of business, based on taxable income computed arising out of the actuarial surplus of each line of business. In order to maintain equity amongst the various segments, the said taxable income is calculated after considering the brought forward tax losses and exempt income, if any, based on the above order, as considered appropriate, for each line of business.

Provision for tax in Profit and Loss Account a credit of ₹ 82.77 crore represents deferred tax credit which has been utilised for setting off the tax charge in the Revenue Account.

As at March 31, 2014 deferred tax asset on carry forward unabsorbed losses is ₹ Nil (Previous year ₹ Nil)

## Notes forming part of the consolidated financial statements (Continued)

### 18. LONG-TERM LOANS AND ADVANCES

₹ in Crore

		As at March 31, 2014	As at March 31, 2013
Loans: [Refer Notes 18.1, 18.2 & 18.4]			
- Individuals		1,33,374.31	1,10,449.14
- Corporate Bodies		48,786.76	46,084.74
- Others		1,816.65	1,355.34
		1,83,977.72	1,57,889.22
Less: Provision for Non Performing Loans [Refer Notes 18.3]		553.77	481.98
(Including additional provision made by HDFC Ltd. and GRUH Finance Ltd.)			
		1,83,423.95	1,57,407.24
Others:			
Capital Advances - Unsecured; considered good	6.75		12.78
Security Deposits - Unsecured; considered good	366.56		220.28
Instalment due from Borrowers - Secured; considered doubtful	83.92		79.17
Other Long-Term Loans and Advances			
- Staff Loan others - Secured, considered good	15.04		14.82
- Prepaid Expenses - Unsecured, considered good	158.78		130.92
- Advance Tax (Net of Provision)	2,231.01		1,637.01
- Others - Unsecured, considered good	37.91		40.96
		2,899.97	2,135.94
		1,86,323.92	1,59,543.18

18.1 Out of Loans, amounts aggregating to ₹ 1,81,512.35 crore (Previous Year ₹ 1,55,734.24 crore) are secured or partly secured by:

- Equitable mortgage of property and/or
- Pledge of shares, units, other securities, fixed deposits, assignment of life insurance policies and/or
- Hypothecation of assets and/or
- Bank guarantees, company guarantees or personal guarantees and/or
- Negative lien and/or
- Assignment of hire purchase receivables and/or
- Undertaking to create a security.

18.2 Long-Term Loans and Advances include non-performing loans of ₹ 1,433.06 crore (Previous Year ₹ 1,217.10 crore).



## Notes forming part of the consolidated financial statements (Continued)

### 18.3 Movement in Provision for Sub-Standard and Doubtful Loans is as under:

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Opening Balance	481.98	460.07
Additions during the year [Refer Note 5.3]	117.97	39.11
Utilised during the year – towards Loans written off	(46.18)	(17.20)
Closing Balance	553.77	481.98

18.4 Loans include ₹ 35.31 crore (Previous Year ₹ 27.99 crore) in respect of properties held for disposal under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

### 19. OTHER NON-CURRENT ASSETS

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Unamortised discount on Non-Convertible Debentures	2.24	20.22
Receivable on Securitised Loans	331.57	246.14
Forward Receivable	104.00	-
Interest Accrued but not due on Loans	356.99	230.20
Interest accrued but not due on Bank Deposits	5.74	2.20
Income accrued but not due on Investments	61.84	132.84
Advance against Investment in Properties	184.82	52.43
Bank deposit with maturities beyond twelve months from the Balance Sheet date [Refer Note 19.1]	68.23	199.47
	1,115.43	883.50

19.1 Bank deposits with maturities beyond twelve months includes earmarked balances ₹ 62.82 crore (Previous Year ₹ 62.23 crore) against foreign currency loans, ₹ 0.13 crore (previous year ₹ 0.11 crore) towards letter of credit issued by bank and ₹ 0.02 crore (Previous Year ₹ Nil) against letter of guarantee issued by the bank to one of the subsidiary company.

### 20. CURRENT INVESTMENTS

₹ in Crore

Insurance Companies [Refer Note 16.1]	As at March 31, 2014	As at March 31, 2013
Non-Convertible Debentures and Bonds	905.88	417.50
Pass Through Certificates & Security Receipts	76.28	32.49
Government Securities	204.40	31.51
Mutual Funds and Other Funds	3.32	90.00
Fixed Deposits	720.69	212.00
Commercial Papers	95.73	-
Certificate of Deposits	954.29	1,549.68
Treasury Bills	2,235.43	998.59
Repo Investments	1,128.02	1,185.95
(A)	6,324.04	4,517.72

## Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Investments related to Policy Holders	1,937.82	1,590.91
Investments to cover linked liabilities	3,058.72	2,069.17
Investments related to Shareholders	1,327.50	857.64
	6,324.04	4,517.72

### Other Than Insurance Companies

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Held as Current Investments (At cost or market value whichever is lower unless stated otherwise)		
Equity Shares - Subsidiary Companies	108.67	-
Debentures - Convertible - Subsidiary Companies	265.18	-
Non-Convertible Debentures and Bonds	20.00	45.00
Certificate of Deposits	-	522.99
Mutual Funds	660.87	661.34
Current Maturities of Long-Term Investments (At cost)		
Government Securities	52.70	100.79
Venture Funds and Other Funds	86.07	27.78
Non-Convertible Debentures and Bonds	19.99	2.00
	1,213.48	1,359.90
Less: Provision for Diminution in Value of Investments	(0.57)	(1.44)
(B)	1,212.91	1,358.46
Total (A) + (B)	7,536.95	5,876.18

₹ in Crore

Particulars	Book Value	Market Value
Aggregate book value of Quoted Investments	200.00	199.85
Previous Year	75.10	76.14
Aggregate book value of Investments listed but not quoted	62.28	
Previous Year	109.50	
Aggregate book value of Investments in Unquoted Mutual Funds	470.87	*496.50
Previous Year	621.23	622.05
Aggregate book value of Unquoted Investments (Others)	479.76	
Previous Year	552.63	
	1,212.91	
Previous Year	1,358.46	

\*Market value of investments in Unquoted Mutual Funds represents repurchase price of units issued by Mutual Funds.

## Notes forming part of the consolidated financial statements (Continued)

### 21. TRADE RECEIVABLES

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Trade Receivables – Unsecured; Considered good, less than six months	369.99	206.95
Trade Receivables – Unsecured; Considered good, more than six months	7.02	9.07
	377.01	216.02

### 22. CASH AND BANK BALANCES

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Cash and cash equivalents		
(i) Balances with banks:		
- In Current Accounts	2,506.77	1,177.42
- In Deposit Accounts with original maturity less than 3 months	3,532.61	2,888.70
(ii) Cash on Hand	0.57	0.96
(iii) Cheques on Hand	357.70	330.38
Sub total	6,397.65	4,397.46
(b) Other Bank balances:		
(i) Earmarked balances with banks		
- Unclaimed Dividend Account	15.26	12.38
- Against Foreign Currency Loans [Refer Note 7.3]	6.39	5.42
- Towards Guarantees Issued by Banks	0.24	0.21
- Others [Refer Note 22.1]	2.59	2.59
(ii) Short-term bank deposits [Refer Note 22.2]	2,165.98	2,653.61
	8,588.11	7,071.67

22.1 Earmarked balances with banks - Others include an amount of ₹ 2.59 crore (Previous Year ₹ 2.59 crore) given by HDFC Asset Management Company Limited (HDFC AMC) to HDFC Trustee Company Limited and held in a designated account maintained by the latter. This is in terms of an interim order dated June 17, 2010 and letter dated July 5, 2011 received from Securities and Exchange Board of India, representing the estimated losses incurred by the schemes of HDFC Mutual Fund/clients of HDFC AMC on suspected “front running” of the orders of HDFC Mutual Fund by a dealer of HDFC AMC. The exact liability, if any, in this matter cannot be determined at this stage.

22.2 Bank Deposits of the subsidiary companies of ₹ 1.25 crore ( Previous Year ₹ 1.20 crore) are marked as lien for overdraft facility.

## Notes forming part of the consolidated financial statements (Continued)

### 23. SHORT-TERM LOANS AND ADVANCES

₹ in Crore

Particulars		As at March 31, 2014	As at March 31, 2013
<b>Loans: [Refer Note 23.1]</b>			
Current maturities of long-term loans and advances	18,826.84		17,263.10
Corporate Bodies	2,497.59		1,155.36
		21,324.43	18,418.46
<b>Others:</b>			
Current maturities of Staff Loans - Others - Secured; Considered good	3.75		3.54
Corporate Deposits [Refer Note 23.2]	1,405.01		1,681.72
Instalments due from borrowers - Secured, considered good	1,184.38		1,270.23
Prepaid Expenses - Unsecured; Considered good	209.66		96.87
Sundry Deposits - Unsecured, considered good	17.11		9.96
Other Advances - Unsecured, considered good	441.58		273.65
Others - Unsecured, considered doubtful	49.71		49.71
	3,311.20		3,385.68
Less: Provision for Doubtful Receivables [Refer Note 5.3]	51.93		51.71
		3,259.27	3,333.97
		24,583.70	21,752.43

23.1 Loans granted by the Corporation aggregating to ₹ 19,812.80 crore (Previous Year ₹ 17,381.49 crore) are secured and considered good [Refer Note 18.1].

23.2 Out of Corporate deposits, amounts aggregating to ₹ 601.65 crore (Previous Year ₹ 1,192.42 crore) are secured and considered good and amounts aggregating to ₹ 2.22 crore (Previous Year ₹ 2 crore) are considered as doubtful.

### 24. OTHER CURRENT ASSETS

₹ in Crore

Particulars	As at March 31, 2014	As at March 31, 2013
Unamortised Discount on Commercial Paper	330.03	245.48
Receivables on Securitised Loans	30.11	18.04
Interest Accrued but not due on Loans	211.64	164.55
Interest Accrued and due on Loans	5.65	-
Income Accrued but not due on Investments	953.96	681.69
Income Accrued and due on Investments	39.22	23.31
Interest Accrued but not due on Corporate Deposits	63.78	136.12
Interest Accrued and due on Corporate Deposits	10.39	-
Application Money - Investments	0.90	7.39
	1,645.68	1,276.58

### 25. CONTINGENT LIABILITIES AND COMMITMENTS

25.1 Contingent liability in respect of guarantees provided aggregated to ₹ 435.35 crore (Previous Year ₹ 203.17 crore).

25.2 Contingent liability in respect of income-tax demands, net of amounts provided for and disputed, amounts to ₹ 944.28 crore (Previous Year ₹ 1,037.67 crore). The matters in dispute are under appeal. Out of the above an amount of ₹ 933.67 crore (Previous Year ₹ 832.52 crore) has been paid/adjusted against refund and

## Notes forming part of the consolidated financial statements (Continued)

the same will be received as refund if the matters are decided in the favour of HDFC Ltd. and the respective subsidiary companies.

- 25.3 Contingent liability in respect of Interest tax demands, net of amount provided for and disputed in respect of one subsidiary company amounts to ₹ 0.07 crore (Previous Year ₹ 0.07 crore). The matter in dispute is under appeal. The subsidiary expects to succeed in the proceedings and hence no additional provision is considered necessary.
- 25.4 The subsidiary companies have received show cause cum demand notices, amounting to ₹ 133.21 crore (Previous Year ₹ 134.55 crore), from the Office of the Commissioner, Service Tax, Mumbai on various grounds. One of the subsidiary has filed appeals to the appellate authorities on the said show cause notices. The subsidiary has been advised by an expert that their grounds of appeal are well supported in law. As a result, the subsidiary is confident to defend the appeal against the demand and does not expect the demand to crystallise into a liability.
- 25.5 Contingent Liability in respect of corporate undertakings provided by HDFC Ltd. for securitisation of receivables aggregated to ₹ 1,943.05 crore (Previous Year ₹ 1,939.31 crore). The outflows would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitised receivables.
- 25.6 Proportionate share of claims not acknowledged as debt and other contingent liabilities in respect of associate companies amounts to ₹ 673.34 crore (Previous Year ₹ 1,238.57 crore).
- Claims not acknowledged as debt and other contingent liabilities in respect of a subsidiary company amounts to ₹ 0.39 crore (Previous Year ₹ 1.37 crore).
- 25.7 Contingent Liability in respect of disputed dues towards wealth tax, interest on lease tax and payment towards employers' contribution to ESIC not provided for by HDFC Ltd. and one of the subsidiary company amounts to ₹ 5.05 crore (Previous Year ₹ 0.15 crore).
- 25.8 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 160.61 crore (Previous Year ₹ 179.87 crore).

## 26. REVENUE FROM OPERATIONS

₹ in Crore

Particulars	Current Year	Previous Year
<b>Interest Income :</b>		
- Interest on Loans	22,797.42	19,633.71
- Other Interest [Refer Note 26.1]	977.49	889.30
Net Gain on foreign currency transactions and translation	1.78	1.18
Dividends [Refer Note 26.2]	47.64	68.30
Management & Trusteeship Fees	961.34	776.24
Income from Leases [Refer Note 26.4]	15.03	7.96
Surplus from deployment in Cash Management Schemes of Mutual Funds [Refer Note 26.3]	344.01	256.74
Fees and Other Charges [Refer Note 26.5]	438.44	399.03
	25,583.15	22,032.46

- 26.1 a) Other Interest includes interest on investments amounting to ₹ 400.94 crore (Previous Year ₹ 381.12 crore).
- b) Other Interest includes interest on investments amounting to ₹ 9.21 crore (Previous Year ₹ 7.59 crore) in respect of current investments.
- c) Other Interest includes Interest on Income Tax Refund ₹ 34.65 crore (Previous Year ₹ 6.87 crore) .

## Notes forming part of the consolidated financial statements (Continued)

26.2 Dividend income includes ₹ 14.16 crore (Previous Year ₹ 20.67 crore) in respect of current investments.

26.3 Surplus from deployment in Cash Management Schemes of Mutual Funds amounting to ₹ 344.01 crore (Previous Year ₹ 256.74 crore) is in respect of investments held as current investments.

26.4 In accordance with the Accounting Standard on 'Leases' (AS 19), notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures are made in respect of Operating Leases:

Income from Leases includes ₹ 4.71 crore (Previous Year ₹ 4.14 crore) in respect of properties and certain assets leased out under Operating Leases. Out of the above, in respect of the non-cancellable leases, the future minimum lease payments are as follows :

₹ in Crore

Period	Current Year	Previous Year
Not later than one year	4.11	2.63
Later than one year but not later than five years	5.02	3.58

26.5 Fees and other charges is net off the amounts paid to Direct Selling Agent ₹ 315.85 crore (Previous Year ₹ 269.90 crore).

26.6 Other Income includes rent of ₹ 9.19 crore (Previous Year ₹ 10.15 crore), of which ₹ Nil (Previous Year ₹ 0.10 crore) is in respect of rent for certain assets given on operating lease and also includes sub-lease payments received ₹ Nil (Previous Year ₹ 0.31 crore) in respect of a property acquired under operating lease as per Note 30.1.

27. Profit on sale of investments includes ₹ 18.10 crore (Previous Year ₹ 35.17 crore) in respect of current investments.

## 28. FINANCE COST

₹ in Crore

Particulars	Current Year	Previous Year
<b>INTEREST</b>		
- Loans	2,434.95	2,489.65
- Deposits	5,353.34	4,506.44
- Bonds and Debentures	7,541.42	5,918.37
- Commercial Paper	1,027.39	1,118.73
	16,357.10	14,033.19
Net Loss on foreign currency transactions and translation [Refer Note 28.1]	137.02	165.75
<b>OTHER CHARGES [Refer Note 28.2]</b>	113.77	96.58
	16,607.89	14,295.52

28.1 A net gain of ₹ 53.03 crore (Previous Year ₹ 53.23 crore) has been recognised in the Statement of Profit and Loss being net gain on translation of foreign currency monetary assets and liabilities as shown below:

₹ in Crore

Particulars	Current Year	Previous Year
Exchange (Gain)/Loss on Translation		
- Foreign Currency Denominated Assets and Foreign Currency Borrowings [Refer Note 5.11]	(198.80)	(131.72)
- Cross Currency Interest Rate Swaps [Refer Note 7.6]	145.77	78.49
Net Exchange (Gain)/Loss on Translation [Refer Note 5.11]	(53.03)	(53.23)

28.2 Other Charges is net of Exchange gain ₹ 0.66 crore (Previous Year includes exchange loss of ₹ 0.10 crore).



## Notes forming part of the consolidated financial statements (Continued)

### 29. EMPLOYEE BENEFITS EXPENSES

₹ in Crore

Particulars	Current Year	Previous Year
Salaries and Bonus [Refer Note 29.1 & 2]	529.49	463.16
Contribution to Provident Fund and Other Funds	52.27	49.35
Gratuity Expenses	0.42	1.55
Staff Training and Welfare Expenses	15.06	14.07
	597.24	528.13

- 29.1 Salaries and Bonus include ₹ 15.77 crore (Previous Year ₹ 15.81 crore) and other expenses pertaining to Insurance Business include ₹ 12.96 crore (Previous Year ₹ 12.65 crore) towards provision made in respect of accumulated leave salary and leave travel assistance which is in the nature of Long-Term Employee Benefits and has been actuarially determined as per the Accounting Standard 15 on Employee Benefits as notified by the Companies (Accounting Standards) Rules, 2006.

#### 29.2 Employee Benefits

In accordance with the Accounting Standard 15 on Employee Benefits as notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures have been made:

The following amounts are recognised in the Statement of Profit and Loss which are included as under:

₹ in crore

Particulars	Contributions to Provident Fund and Other Funds under Staff Expenses		Other expenses pertaining to Insurance Business	
	Current Year	Previous Year	Current Year	Previous Year
Provident Fund	20.96	17.87	24.97	22.50
Superannuation Fund	9.30	7.67	0.34	0.49
Employees' Pension Scheme - 1995	1.60	1.51	-	-
Employees' State Insurance Corporation	1.84	1.70	17.66	3.19
Labour Welfare Fund	0.01	0.01	0.07	0.06

The Rules of the Corporation's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Corporation.

The details of the Group's post-retirement benefit plans for its employees including whole-time directors are given below which is as certified by the actuaries and relied upon by the auditors:

₹ in Crore

Particulars	Current Year	Previous Year
<b>Change in the Benefit Obligations:</b>		
Liability at the beginning of the year	165.02	133.13
Current Service Cost	12.44	10.27
Interest Cost	13.44	11.30
Benefits Paid	(11.25)	(10.30)
Actuarial loss	11.02	20.62
Liability at the end of the year *	190.67	165.02
* The Liability at the end of the year ₹ 190.67 crore (Previous Year ₹ 165.02 crore) includes ₹ 41.43 crore (Previous Year ₹ 38.73 crore) in respect of un-funded plans.		

## Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

Particulars	Current Year	Previous Year
<b>Fair Value of Plan Assets:</b>		
Fair Value of Plan Assets at the beginning of the year	110.02	94.08
Expected Return on Plan Assets	9.36	9.22
Contributions	28.41	22.41
Benefits Paid	(3.14)	(9.96)
Actuarial loss on Plan Assets	(3.09)	(5.73)
Fair Value of Plan Assets at the end of the year	141.56	110.02
Total Actuarial loss to be recognised	(14.11)	(26.35)
<b>Actual Return on Plan Assets:</b>		
Expected Return on Plan Assets	9.36	9.22
Actuarial loss on Plan Assets	(3.09)	(5.73)
Actual Return on Plan Assets	6.27	3.49
<b>Expense Recognised in the Statement of Profit and Loss:</b>		
Current Service Cost	12.44	10.27
Interest Cost	13.44	11.30
Expected Return on Plan Assets	(9.36)	(9.22)
Net Actuarial loss to be recognised	14.11	26.35
Expense recognised in the Statement of Profit and Loss		
included under Contribution to Provident Fund and Other Funds	23.43	29.68
included under Other expenses pertaining to Insurance Business	7.20	9.02
	30.63	38.70
<b>Reconciliation of the Liability Recognised in the Balance Sheet:</b>		
Opening Net Liability	55.00	39.05
Expense recognised	30.63	38.70
Contribution by the Corporation	28.41	22.41
Benefits paid in respect of unfunded plans	8.11	(0.34)
Amount recognised in the Balance Sheet under "Provision for Retirement Benefits" and "Other Current Liabilities"	49.11	55.00

₹ in Crore

Amount Recognised in the Balance Sheet:	2013-14	2012-13	2011-12	2010-11	2009-10
Liability at the end of the year	190.67	165.02	133.13	114.30	96.06
Fair Value of Plan Assets at the end of the year	141.56	110.02	94.08	74.13	66.60
Amount recognised in the Balance Sheet under "Provision for Retirement Benefits" and "Other Current Liabilities"	49.11	55.00	39.05	40.17	29.46
<b>Experience Adjustment:</b>					
On Plan Liabilities	22.14	21.16	10.09	7.39	7.50
On Plan Assets	(3.09)	(5.74)	(4.44)	(3.76)	(2.40)
Estimated Contribution for next year	19.54	22.55	13.09	9.37	9.27

## Notes forming part of the consolidated financial statements (Continued)

### Investment Pattern:

Particulars	% Invested Current Year	% Invested Previous Year
Central Government securities	17.81	23.19
State Government securities/securities guaranteed by State/Central Government	9.44	1.35
Public Sector/Financial Institutional Bonds	24.23	25.58
Private Sector Bonds	12.92	8.86
Special Deposit Scheme	1.54	2.01
Certificate of Deposits	0.98	1.34
Commercial Papers	-	-
Deposits with Banks and Financial Institutions	2.31	2.76
Investment in Insurance Companies	*10.72	9.57
Investment in Equity Shares	16.15	17.16
Others (including bank balances)	3.90	8.18
Total	100.00	100.00

Based on the above allocation and the prevailing yields on these assets, the long-term estimate of the expected rate of return on fund assets has been arrived at.

\* As the gratuity fund is managed by a life insurance company, details of investment are not available with the Company.

### Principal Assumptions:

Particulars	Current Year %	Previous Year %
Discount Rate	9.00 to 9.36	8.00 to 8.25
Return on Plan Assets	7 to 9.36	8.00 to 8.70
Salary Escalation	5 to 10	5 to 10

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

## 30. ESTABLISHMENT EXPENSES

₹ in Crore

Particulars	Current Year	Previous Year
Rent [Refer Note 30.1]	107.21	94.48
Rates and Taxes	4.65	4.05
Repairs and Maintenance - Buildings	6.52	6.40
General Office Expenses	2.84	2.29
Electricity Charges	20.55	17.30
Insurance Charges	1.37	1.02
	143.14	125.54

30.1 In accordance with the Accounting Standard 19 on 'Leases' as notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures are made in respect of Operating and Finance Leases:

- (a) Properties under non-cancellable operating leases have been acquired, both for commercial and residential purposes for periods ranging from 12 months to 60 months. The total minimum lease payments for the current year, in respect thereof, included under Rent, amount to ₹ 141.48 crore (Previous Year ₹ 115.62 crore). Out of the above, the Corporation has sub-leased a property, the total sub-lease payments received in respect

## Notes forming part of the consolidated financial statements (Continued)

thereof amounting to ₹ 18.79 crore (Previous Year ₹ 14.09 crore) have been netted off from rent expense and amounting to ₹ Nil (Previous Year ₹ 0.31 crore) has been included under Other Income.

The future lease payments in respect of the above are as follows:

₹ in Crore		
Period	Current Year	Previous Year
Not later than one year	74.89	81.46
Later than one year but not later than five years	123.10	84.69

- (b) Certain motor cars have been acquired under Operating Lease by a subsidiary company. In respect of these operating leases, the lease rentals charged to the Statement of Profit and Loss are ₹ 1.28 crore (Previous Year ₹ 0.85 crore). The minimum future lease rentals payable for specified duration in respect of such leases amount to the following :

₹ in Crore		
Period	Current Year	Previous Year
Not later than one year	1.15	1.04
Later than one year but not later than five years	1.76	1.74

- (c) Certain motor cars, Information Technology equipment and Software have been acquired under Finance Lease by a subsidiary for an aggregate fair value of ₹ 0.06 crore (Previous Year ₹ 0.18 crore). The total minimum lease payments (MLP) in respect thereof and the present value of the future lease payments, discounted at the interest rate implicit in the lease are:

Current Year ₹ in Crore			
Period	Total MLP	Interest	Principal
Not later than one year	0.05	-	0.05
Later than one year but not later than five years	0.01	-	0.01

Previous Year ₹ in Crore			
Period	Total MLP	Interest	Principal
Not later than one year	0.12	0.01	0.11
Later than one year but not later than five years	0.06	-	0.06

### 31. OTHER EXPENSES

₹ in Crore		
	Current Year	Previous Year
Travelling and Conveyance	27.80	27.59
Printing and Stationery	18.05	13.68
Postage, Telephone and Fax	29.07	28.01
Advertising	83.15	49.43
Repairs and Maintenance - Other than Buildings	17.40	15.96
Office Maintenance	25.40	21.82
Legal Expenses	14.01	17.84
Computer Expenses	13.38	10.55
Directors' Fees and Commission	5.27	4.67
Miscellaneous Expenses [Refer Note 5.10]	226.47	235.70
Auditors' Remuneration [Refer Note 32]	5.29	4.72
	465.29	429.97

## Notes forming part of the consolidated financial statements (Continued)

### 32. AUDITORS' REMUNERATION:

₹ in Crore

Particulars	Current Year	Previous Year
Audit Fees	3.22	2.90
Tax Matters	1.16	1.03
Other Matters	2.24	1.78
Reimbursement of Expenses	0.08	0.03
Service Tax	0.56	0.49
Less: Service tax input credit availed	(0.30)	(0.22)
Less: Service tax input credit expensed	(0.23)	(0.03)
	6.73	5.98
Less: Included under commission and operating expenses pertaining to Insurance Business	1.44	1.26
	5.29	4.72

### 33. PROVISION FOR NON PERFORMING LOANS

As per the Housing Finance Companies (NHB) Directions, 2010, non-performing assets are recognised on the basis of ninety days overdue. The total provision carried by HDFC Ltd. and GRUH Finance Ltd., in terms of paragraph 29 (2) of the Housing Finance Companies (NHB) Directions, 2010 and NHB circular NHB.HFC/DIR-3/CMD/2011 dated August 5, 2011 in respect of Housing and Non-Housing Loans is as follows: [Refer Note 18]

₹ in Crore

Particulars	Sub-Standard Assets		Doubtful Assets	
	Current Year	Previous Year	Current Year	Previous Year
Housing	62.65	53.67	202.12	184.47
Non-Housing	90.50	121.80	100.55	32.81

Provision for Contingencies debited to the Statement of Profit and Loss includes Provision for Diminution in Value of Investments amounting to ₹ 21.51 crore (Previous Year ₹ 10.01 crore).

## Notes forming part of the consolidated financial statements (Continued)

34. As per the Accounting Standard 17 on 'Segment Reporting' notified by the Companies (Accounting Standards) Rules, 2006, the main segments and the relevant disclosures relating thereto are as follows: ₹ in crore

	Loans		Life Insurance		General Insurance		Asset Management		Others		Inter-segment adjustments		Unassociated		Total	
	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY
Segment Revenue	24,973.38	21,653.40	13,231.44	12,217.18	1,850.86	1,455.50	1,007.21	851.50	232.13	286.82	(520.90)	(533.69)	40.44	56.22	40,814.56	35,986.93
Segment Result	7,491.19	6,543.66	794.11	507.33	224.31	181.92	572.71	455.10	43.50	114.58	(320.33)	(388.54)	40.36	53.23	8,845.85	7,467.28
Income-tax (Current)													2,317.05	2,007.28	2,317.05	2,007.28
Deferred tax													41.29	(5.25)	41.29	(5.25)
Total Result	7,491.19	6,543.66	794.11	507.33	224.31	181.92	572.71	455.10	43.50	114.58	(320.33)	(388.54)	(2,317.98)	(1,948.80)	6,487.51	5,465.25
Capital Employed																
Assets	2,23,111.15	1,90,792.31	52,179.33	41,852.72	3,967.68	3,282.46	854.97	908.78	247.06	251.40	(1,026.27)	(835.21)	17,900.76	15,526.00	2,97,234.68	2,51,778.46
Liabilities	2,05,473.47	1,76,226.01	50,391.52	40,627.13	3,083.03	2,548.14	254.29	141.85	23.36	33.72	(1,080.31)	(835.21)	90.83	74.78	2,58,236.19	2,18,816.42
Net Assets	17,637.68	14,566.30	1,787.81	1,225.59	884.65	734.32	600.68	766.93	223.70	217.68	54.04	-	17,809.93	15,451.22	38,998.49	32,962.04
Other Information																
Capital Expenditure	82.08	28.04	81.89	106.67	67.44	24.91	18.84	9.54	4.88	3.07	-	-	-	-	255.13	172.23
Depreciation	34.76	26.01	*44.93	*35.49	*17.09	*11.64	8.80	16.59	3.29	3.35	-	8.25	-	-	108.87	101.33
Non-cash expenses other than Depreciation															153.24	151.56

a) Asset Management segment includes portfolio management, mutual fund and property investment management.

b) Others includes project management, investment consultancy and property related services.

c) The group does not have any material operations outside India and hence disclosure of geographic segments is not given.

\* Included in Other expenses relating to Insurance Business



## Notes forming part of the consolidated financial statements (Continued)

### 35. RELATED PARTY TRANSACTIONS

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

<b>A) Associate Companies</b> HDFC Bank Ltd. India Value Fund Advisors Pvt. Ltd. RuralShores Business Services Pvt. Ltd. IPFONLINE Ltd. (w.e.f. January 3, 2012 upto November 12, 2013)	<b>B) Investing Party and its Group Companies</b> Standard Life Investments Ltd. Standard Life (Mauritius Holdings) 2006 Ltd. ERGO International AG Munich Re									
<b>C) Key Management Personnel</b> Mr. Keki M. Mistry Ms. Renu Sud Karnad Mr. V. Srinivasa Rangan	<b>D) Relatives of Key Management Personnel - (<i>Where there are transactions</i>)</b> <table><tr><td>Ms. Arnaaz K. Mistry</td><td>Mr. Rishi R. Sud</td><td>Mr. Ketan Karnad</td></tr><tr><td>Mr. Ashok Sud</td><td>Ms. Riti Karnad</td><td>Mr. Bharat Karnad</td></tr><tr><td>Ms. Tinaz Mistry</td><td>Ms. Swarn Sud</td><td>Ms. Abhinava S. Rangan</td></tr></table>	Ms. Arnaaz K. Mistry	Mr. Rishi R. Sud	Mr. Ketan Karnad	Mr. Ashok Sud	Ms. Riti Karnad	Mr. Bharat Karnad	Ms. Tinaz Mistry	Ms. Swarn Sud	Ms. Abhinava S. Rangan
Ms. Arnaaz K. Mistry	Mr. Rishi R. Sud	Mr. Ketan Karnad								
Mr. Ashok Sud	Ms. Riti Karnad	Mr. Bharat Karnad								
Ms. Tinaz Mistry	Ms. Swarn Sud	Ms. Abhinava S. Rangan								

I) The nature and volume of transactions of the Corporation during the year, with the above related parties were as follows:

Particulars	Associates		Investing Party and its Group Companies		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Dividend Income</b>								
- HDFC Bank Ltd.	298.77	233.58	-	-	-	-	-	-
- Others	0.27	0.30	-	-	-	-	-	-
<b>Interest Income</b>								
- HDFC Bank Ltd.	33.81	29.25	-	-	-	-	-	-
- Others	0.08	0.12	-	-	-	-	-	-
<b>Consultancy and Other Fees Income</b>								
- Standard Life Investments Ltd	-	-	0.32	0.40	-	-	-	-
- HDFC Bank Ltd.	0.04	-	-	-	-	-	-	-
<b>Rent Income</b>								
- HDFC Bank Ltd.	1.74	1.71	-	-	-	-	-	-
- Others	-	-	-	-	-	-	0.01	0.01
<b>Reinsurance Income</b>								
- Munich Re	-	-	0.14	0.03	-	-	-	-
<b>Support Cost Recovered</b>								
- HDFC Bank Ltd.	0.25	0.32	-	-	-	-	-	-
<b>Miscellaneous Services rendered</b>								
- HDFC Bank Ltd.	241.34	120.66	-	-	-	-	-	-
- Others	0.08	-	-	-	0.01	-	-	0.01
<b>Interest Expense</b>								
- HDFC Bank Ltd.	4.23	3.71	-	-	-	-	-	-
- Others	0.34	-	-	-	0.53	0.47	0.02	0.05
<b>Bank and Other Charges</b>								
- HDFC Bank Ltd.	24.65	23.92	-	-	-	-	-	-
<b>Reinsurance Expense</b>								
- Munich Re	-	-	3.51	2.65	-	-	-	-
<b>Remuneration</b>								
- Mr. Keki M. Mistry	-	-	-	-	7.87	6.77	-	-
- Ms. Renu Sud Karnad	-	-	-	-	7.23	6.29	-	-
- Mr. V. Srinivasa Rangan	-	-	-	-	4.57	3.87	-	-
<b>Dividend Payments</b>								
- Standard Life (Mauritius Holdings) 2006 Ltd.	-	-	25.93	-	-	-	-	-
- Standard Life Investments Ltd.	-	-	50.32	44.28	-	-	-	-
- ERGO International AG	-	-	6.86	-	-	-	-	-

## Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

Particulars	Associates		Investing Party and its Group Companies		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Other Expenses</b>								
- HDFC Bank Ltd.	601.88	736.31	-	-	-	-	-	-
- Others	0.42	0.28	-	0.09	-	-	0.09	0.08
<b>Investments made</b>								
- HDFC Bank Ltd.	327.51	363.74	-	-	-	-	-	-
<b>Investments sold</b>								
- HDFC Bank Ltd.	-	40.00	-	-	-	-	-	-
- IPF Online Ltd.	6.31	-	-	-	-	-	-	-
- Others	-	0.30	-	-	-	-	-	-
<b>Securities purchased</b>								
- HDFC Bank Ltd.	24.86	-	-	-	-	-	-	-
<b>Investments</b>								
- HDFC Bank Ltd.	6,714.35	6,437.47	-	-	-	-	-	-
- Others	2.53	8.83	-	-	-	-	-	-
<b>Bank Deposits placed</b>								
- HDFC Bank Ltd.	4,088.82	2,418.97	-	-	-	-	-	-
<b>Bank Deposits repaid/withdrawn</b>								
- HDFC Bank Ltd.	2,605.26	1,981.77	-	-	-	-	-	-
<b>Bank Balance and Deposits</b>								
- HDFC Bank Ltd.	5,200.79	1,366.99	-	-	-	-	-	-
<b>Corporate Deposits placed</b>								
- RuralShores Business Services Pvt. Ltd.	-	3.00	-	-	-	-	-	-
<b>Corporate Deposits repaid/matured</b>								
- RuralShores Business Services Pvt. Ltd.	3.00	-	-	-	-	-	-	-
<b>Corporate Deposits</b>								
- RuralShores Business Services Pvt. Ltd.	-	3.00	-	-	-	-	-	-
<b>Loans repaid</b>								
- Ms. Renu Sud Karnad	-	-	-	-	0.01	0.01	-	-
- Mr. V. Srinivasa Rangan	-	-	-	-	0.01	0.01	-	-
<b>Loans sold</b>								
- HDFC Bank Ltd.	5,556.07	5,125.00	-	-	-	-	-	-
<b>Loans</b>								
- Ms. Renu Sud Karnad	-	-	-	-	0.10	0.11	-	-
- Mr. V. Srinivasa Rangan	-	-	-	-	0.05	0.06	-	-
<b>Trade Receivable</b>								
- HDFC Bank Ltd.	13.11	-	-	-	-	-	-	-
<b>Other Advances/Receivables</b>								
- HDFC Bank Ltd.	5.88	8.61	-	-	-	-	-	-
- Others	-	-	0.05	0.10	-	-	0.06	0.06
<b>Deposits placed</b>								
- RuralShores Business Services Pvt. Ltd.	16.10	-	-	-	-	-	-	-
- Mr. Keki M. Mistry	-	-	-	-	1.75	2.03	-	-
- Ms. Renu Sud Karnad	-	-	-	-	0.02	2.01	-	-
- Others	-	-	-	-	-	-	-	0.27
<b>Deposits repaid/matured</b>								
- RuralShores Business Services Pvt. Ltd.	13.02	-	-	-	-	-	-	-
- Mr. Keki M. Mistry	-	-	-	-	2.41	2.60	-	-
- Others	-	-	-	-	0.01	-	0.29	0.45
<b>Deposits</b>								
- Mr. Keki M. Mistry	-	-	-	-	2.61	3.28	-	-
- Ms. Renu Sud Karnad	-	-	-	-	2.02	2.02	-	-
- RuralShores Business Services Pvt. Ltd.	3.08	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	0.12	0.40
<b>Other Liabilities/Payables</b>								
- HDFC Bank Ltd.	64.40	158.72	-	-	-	-	-	-
- Others	0.04	-	0.16	-	0.48	0.21	0.01	0.03

## Notes forming part of the consolidated financial statements (Continued)

36. In accordance with the Accounting Standard 20 as on “Earning per Share” as notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures have been made:

- (i) In calculating the Basic Earnings Per Share the Profit After Tax attributable to the Group of ₹ 7,947.82 crore (Previous Year ₹ 6,639.72 crore) has been adjusted for amounts utilised out of Shelter Assistance Reserve of ₹ 13.02 crore (Previous Year ₹ 9.13 crore) and for proportionate share of utilization out of Corporate Social Responsibility Account of ₹ 0.46 crore (Previous Year ₹ 0.69 crore) of one of the subsidiary company.

Accordingly the Basic Earnings Per Share has been calculated based on the adjusted Profit After Tax attributable to Group of ₹ 7,934.34 crore (Previous Year ₹ 6,629.90 crore) and the weighted average number of shares during the year of 155.54 crore (Previous Year 151.97 crore).

- (ii) The reconciliation between the Basic and the Diluted Earnings Per Share is as follows :

Particulars	Amount in ₹	
	Current Year	Previous Year
Basic Earnings Per Share	51.01	43.63
Effect of outstanding Stock Options	(0.40)	(0.54)
Diluted Earnings Per Share	50.61	43.09

- (iii) The Basic Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares for the respective periods; whereas the Diluted Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options for the respective periods. The relevant details as described above are as follows:

Particulars	Number in Crore	
	Current Year	Previous Year
Weighted average number of shares for computation of Basic Earnings Per Share	155.54	151.97
Diluted effect of outstanding Stock Options	1.23	1.90
Weighted average number of shares for computation of Diluted Earnings Per Share	156.77	153.87

## Notes forming part of the consolidated financial statements (Continued)

**37. Information with Regard to Subsidiary Companies in terms of the general exemption u/s 212(8) of the Companies Act, 1956 granted by the Ministry of Company Affairs vide Circular No. 51/12/2007-CL-III dated February 8, 2011**  
**(As on/for the period/year ended March 31, 2014)**

Sl. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investments included in Total Assets	Total Income	Profit/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Proposed Dividend
1	HDFC Standard Life Insurance Co. Ltd.	INR	-	1,994.88	(16.20)	*52,373.66	50,394.99	*50,529.23	*17,400.66	642.51	(82.77)	725.28	-
2	HDFC Asset Management Co. Ltd.	INR	-	25.24	876.02	1,923.46	1,022.20	736.57	903.11	522.45	164.68	357.77	-
3	HDFC Trustee Co. Ltd.	INR	-	0.10	0.08	6.14	5.96	-	10.83	-	-	-	-
4	HDFC ERGO General Insurance Co. Ltd.	INR	-	529.28	353.20	3,982.61	3,100.12	3,143.13	1,850.86	224.31	28.91	195.41	-
5	GRUH Finance Ltd.	INR	-	36.03	571.21	7,243.22	6,635.98	52.94	846.16	244.47	67.50	176.96	54.04
6	HDFC Developers Ltd.	INR	-	0.05	1.71	4.15	2.39	-	1.70	2.00	0.27	1.73	-
7	HDFC Venture Capital Ltd.	INR	-	0.50	9.69	30.75	20.56	0.04	30.88	27.97	9.50	18.47	-
8	HDFC Ventures Trustee Co. Ltd.	INR	-	0.05	0.76	0.83	0.03	0.02	0.41	0.34	0.10	0.24	-
9	HDFC Property Venture Ltd.	INR	-	1.00	5.38	11.40	5.02	0.09	22.37	8.08	2.10	5.99	-
10	HDFC Realty Ltd.	INR	-	7.75	2.41	13.46	3.30	-	27.87	7.79	2.70	5.09	-
11	HDFC Investments Ltd.	INR	-	26.67	100.45	127.18	0.06	117.36	90.12	89.19	1.86	87.33	-
12	HDFC Holdings Ltd.	INR	-	1.80	148.29	157.50	7.41	102.62	18.51	17.66	2.69	14.97	-
13	HDFC Sales Pvt. Ltd.	INR	-	4.01	18.46	40.43	17.95	-	167.36	11.36	4.00	7.35	-
14	Credila Financial Services Pvt. Ltd.	INR	-	120.74	6.17	1,232.26	1,105.35	-	146.57	23.55	4.29	19.26	-
15	HDFC Pension Management Co. Ltd.	INR	-	28.00	(0.56)	27.85	0.41	20.86	2.03	0.04	0.01	0.03	-
16	HDFC Education and Development Services Pvt. Ltd.	INR	-	10.10	(7.94)	2.50	0.34	-	0.12	(2.08)	0.02	(2.10)	-
17	Griha Investments	USD	60.50	0.20	67.52	68.27	0.55	-	61.04	41.71	1.30	40.41	-
18	Griha Pte. Ltd.	SGD	47.52	2.80	(1.15)	1.94	0.29	-	-	(1.14)	-	(1.14)	-
19	H T Parekh Foundation [Refer Note 2.4]	INR	-	10.01	(0.31)	9.71	-	-	-	(0.07)	-	(0.07)	-
20	Grandeur Properties Pvt. Ltd.	INR	-	0.01	28.84	37.13	8.28	-	53.96	42.82	8.57	34.25	-
21	Haddock Properties Pvt. Ltd.	INR	-	0.01	(27.87)	51.29	79.15	-	2.99	(6.29)	-	(6.29)	-
22	Pentagram Properties Pvt. Ltd.	INR	-	0.01	(28.20)	46.33	74.52	-	3.43	(6.37)	-	(6.37)	-
23	Winchester Properties Pvt. Ltd.	INR	-	0.01	(11.91)	33.67	45.57	-	1.19	(4.57)	-	(4.57)	-
24	Windermere Properties Pvt. Ltd.	INR	-	0.01	(27.55)	96.30	123.84	-	11.78	(5.11)	0.11	(5.22)	-

**NOTE:**

\* Includes Investments of Shareholders', Policyholders' and Assets held to cover Linked Liability

# Includes Net Premium Income, Investment Income and other Income

## Notes forming part of the consolidated financial statements

(As on/for the period/year ended March 31, 2013)

Sl. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investments included in Total Assets	Total Income	Profit/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Proposed Dividend
1	HDFC Standard Life Insurance Co. Ltd.	INR	-	1,994.88	(633.63)	*41,992.72	32,936.52	*32,189.48	*10,474.23	271.02	-	271.02	-
2	HDFC Asset Management Co. Ltd.	INR	-	32.80	669.20	1,466.87	764.87	664.15	783.98	446.82	128.07	318.75	-
3	HDFC Trustee Co. Ltd.	INR	-	0.10	0.07	4.89	4.72	-	10.13	-	-	-	-
4	HDFC ERGO General Insurance Co. Ltd.	INR	-	523.00	8.73	2,381.16	1,849.43	1,888.03	1,051.86	(39.70)	-	(39.70)	-
5	GRUH Finance Ltd.	INR	-	35.70	455.29	5,600.04	5,109.05	65.16	650.45	196.80	50.92	145.88	44.62
6	HDFC Developers Ltd.	INR	-	0.05	0.02	1.96	1.88	-	4.30	(1.83)	(0.04)	(1.79)	-
7	HDFC Venture Capital Ltd.	INR	-	0.50	8.18	8.72	0.04	0.06	4.95	2.07	0.37	1.71	-
8	HDFC Ventures Trustee Co. Ltd.	INR	-	0.05	0.52	0.60	0.03	0.01	0.44	0.38	0.08	0.30	-
9	HDFC Property Venture Ltd.	INR	-	1.00	5.24	11.81	5.58	0.03	20.22	4.21	1.16	3.05	-
10	HDFC Realty Ltd.	INR	-	7.75	(2.61)	9.25	4.11	-	19.75	3.41	0.42	2.99	-
11	HDFC Investments Ltd.	INR	-	26.67	117.65	144.38	0.06	95.77	74.13	74.14	2.79	71.35	-
12	HDFC Holdings Ltd.	INR	-	1.80	142.33	151.54	7.41	86.67	30.45	29.31	6.16	23.15	-
13	HDFC Sales Pvt. Ltd.	INR	-	4.01	11.39	41.35	25.95	-	160.35	10.86	2.74	8.11	-
14	Credila Financial Services Pvt. Ltd.	INR	-	115.41	(14.75)	800.60	699.94	-	90.38	9.05	-	9.05	-
15	HDFC Pension Management Co. Ltd.	INR	-	0.58	(0.59)	0.24	0.25	-	-	(0.50)	-	(0.50)	-
16	HDFC Education and Development Services Pvt. Ltd.	INR	-	5.10	(5.84)	0.34	1.07	-	0.11	(3.52)	-	(3.52)	-
17	Griha Investments	USD	51.16	0.20	21.18	21.68	0.29	-	29.37	14.85	0.44	14.41	-
18	Griha Pte. Ltd.	SGD	43.81	1.12	(0.19)	0.96	0.03	-	-	(0.16)	-	(0.16)	-
19	H. T. Parekh Foundation	INR	-	10.01	(0.23)	9.78	-	-	-	(0.23)	-	(0.23)	-

NOTE:

\* Includes Investments of Shareholders' and Assets held to cover Linked Liability

# Includes Net Premium Income, Investment Income and other Income.

38. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

## Social Initiatives

The year saw HDFC continue its involvement in socially responsive actions through partnerships with non-government organisations (NGOs), trusts and societies primarily aimed at improving the quality of life of our surrounding communities. HDFC has always endeavoured to build strong relationships with the recipient NGOs and the year under review saw an association with over 150 partner organisations for a variety of programmes spread across the country.

This report will illustrate the varied projects supported by HDFC through the Shelter Assistance Reserve.

The segment-wise break-up of the utilisation of the Reserve is illustrated in the chart below:

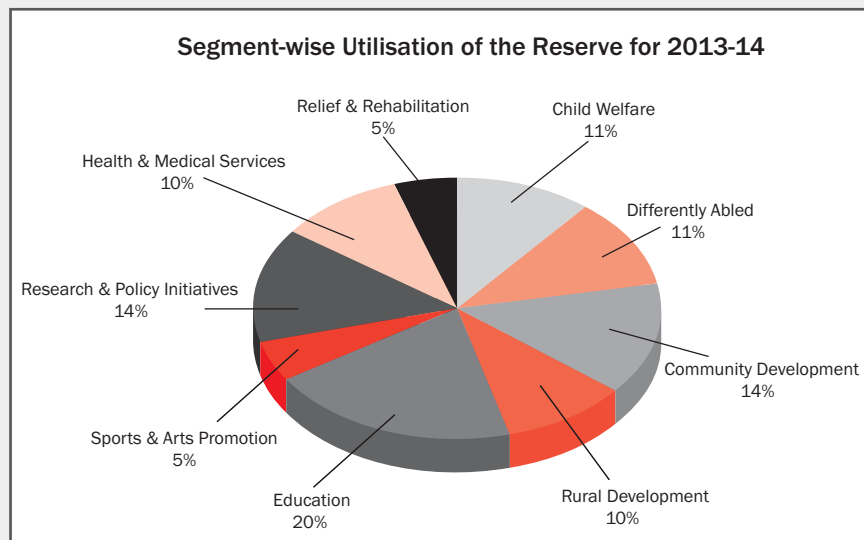
construction site is safe, healthy, educated and cared for. The mission of the organisation is to promote 'child-friendly construction sites' for children from birth to 12 years old. The organisation reaches out to marginalised children, trains women as child-care workers and partners with developers to run day-care centres on their sites. The day-care centre is a one-stop-shop wherein children are provided with education, nutrition, health check-ups and an overall safe environment to spend their day meaningfully. The organisation has developed a comprehensive day-care programme that focuses on the child's emotional, physical and social development needs. Over the last four decades the organisation has worked in

urban slums across Delhi, Gurgaon and Noida. So far, the organisation has reached out to over 750,000 children, trained 6,500 women as child-care workers and runs 650 day-care centres across sites in Delhi and NCR. HDFC partnered with the organisation to support the running of a day-care centre aimed at holistic development of young children.

Over the past few years, Tara Mobile Crèches, Pune has identified children who are interested in continuing their education and have been put in hostel accommodation by the organisation. The organisation looks after their financial needs such as hostel fee, school fee, books, stationery, living expenses amongst others. HDFC is partnering the organisation towards sponsoring the accommodation and education expenses for 8 girls and 9 boys who will be pursuing their higher education through the organisation.

### Society for Nutrition, Education & Health Action (SNEHA), Mumbai

SNEHA was founded in 1999 by a team of medical professionals to address the health and medical needs of vulnerable women and children in urban slums. SNEHA is the largest NGO player for women and children's health issues in the most vulnerable urban slum communities of Mumbai. The organisation targets four large public health areas - Maternal and Newborn Health, Child Health and Nutrition, Sexual and Reproductive Health and Prevention of Violence against Women and Children. It recognises that in order to improve urban health standards, its initiatives must target both-care seekers and care providers. It works at the community level to empower women and slum communities to be catalysts of change in their own right and collaborate with existing



Cited below are a few cases with information on projects supported by HDFC out of the Shelter Assistance Reserve during FY2013-14:

#### Mobile Crèches, National Capital Region (NCR) / Tara Mobile Crèches, Pune

Mobile Crèches has the vision to ensure every child living on a

close proximity with all stakeholders – parents, labour communities, contractors, developers and policy-makers to promote awareness and caring for children on construction sites.

Mobile Crèches, (NCR) runs day-care centres on construction sites and has community based interventions in



public health systems and health care providers to create sustainable improvements in urban health.

HDFC partnered SNEHA in their programme on Prevention of Violence against Women and Children (PVWC) which has been extensively providing need based interventions to women and children facing violence. The programme has been functioning since 2,000 with over 4,000 cases being registered. The programme is run in the midst of the Dharavi slums. One of the areas of the programme being supported by HDFC looks into prevention and community intervention. The main aim is to create a pool of women counselors called 'Sanginis' to provide support to women facing violence in the community. The aim is to empower women within the community to tackle the issue of violence and act as a support system for the women. The year saw SNEHA reach out to over 800 women who have received crisis intervention and counseling through the 'Sanginis'.

#### **Charutar Arogya Mandal, Anand**

Charutar Arogya Mandal offers comprehensive and personalised healthcare, delivered with commitment, compassion and at the most affordable cost to all those in need of it. Since its inception in 1972, the organisation has grown to include a Medical Council of India recognised medical college, a 550-bed hospital, an institute of post-graduate studies, a school of nursing, a college of physiotherapy, an institute of medical technology, a cardiac centre and a cancer centre on its 100 acre campus. It is the organisation's constant endeavour to innovate, continuously upgrade itself and deliver better healthcare to all.

The Charutar Arogya Mandal manages the Shree Krishna Hospital – a 550 bed general hospital in Karamsad serving over 100 villages in its vicinity and over 900 villages in Anand and Kheda districts Anand. The hospital with all modern facilities and professional services has been able to serve the community with over 350,000 outdoor and over 30,000 indoor patients annually. The hospital incurs substantial deficit on account of full or partial concessions in its charges since most patients are from weak economic groups and not in a position to afford the treatment that they require.

The Mandal organised a fund-raising initiative to meet the hospital deficit and also showcase its excellent work. HDFC partnered with the organisation and supported the fund-raising initiative.

#### **Swa. Sawarkar Educational Trust – Bal Nandanvan Nisargashala School, Dahanu**

Swa. Sawarkar Educational Trust has been working since 1993 in Thane district in the area of education for marginalised children. Since inception the goal of the trust has been to ensure that every tribal child is enrolled in school and is consistently attending school thereby reducing the drop-out rate to the maximum possible.

HDFC has been partnering the Trust since 2010 to support the Bal Nandanvan Nisargashala School in Vasantwadi near Dahanu, Maharashtra catering to children of migrant workers who otherwise have no access to any form of education. Over 90% of the population in the area is below poverty line migrant labourers who travel every six months in search of work. Due to this, their

children never attend school and begin working by the age of ten.

The above-mentioned school caters to 390 children up to Std. VII. There are a total of 10 classrooms (3,200 sq.ft.) with a compound. Computer education and vocational training for the older children has been started in the school premises. HDFC is one of the partners supporting the running expenses of the school. Assistance was also provided to the Trust towards setting up a playground in the school premises for the younger children.

#### **EnglishHelper - Right to Read, Bengaluru, Coimbatore, Chennai, Hyderabad**

EnglishHelper offers innovative, technology enabled solutions to improve English proficiency. With the EnglishHelper tool kit and methodology students can improve fluency in spoken English, enhance reading skills and comprehension, enrich vocabulary and learn to write better. The solutions are based on the principle that learning in the context and at the pace of the learner is engaging and effective. The programme is being implemented across 100 schools in the states of Delhi, Haryana, Punjab, Andhra Pradesh, Karnataka and Tamil Nadu.

The Right To Read is a multi-stakeholder initiative that initially aims at reaching 10 million students and 250,000 teachers across 50,000 partner schools. The vision is to achieve scale across the government school network. The organisation approached HDFC in partnership with the American India Foundation to associate and support 25 municipal schools that have requisite computing infrastructure to roll out this initiative. The support includes cluster level field training,

programme roll-out expenses, post implementation monitoring, refresher training and audit. The Right to Read programme supported by HDFC is being run in Bengaluru (5 schools), Coimbatore (10 schools), Chennai (5 schools) and Hyderabad (5 schools). The initiative caters to a total of 3,900 children in 6th to 8th grade.

### 3.2.1. Education Foundation, Mumbai

The 3.2.1. Education Foundation is a start-up organisation focused on creating a new standard of excellence in education for children from disadvantaged backgrounds. The Foundation works on addressing the problem of educational inequity in India. The aim is to create a network of outstanding schools throughout India to serve as models of educational excellence and innovation hubs for educational best practices for low-income communities. The founding team consists of Teach For India alumni who are committed to demonstrating that high quality English education is possible at the current government spend per child.

The Foundation currently runs the Mahatma Jyotiba Phule Market Mumbai Public School in partnership with the Municipal Corporation of Greater Mumbai (MCGM). The school has 240 children in KG and 1st grade and academic year 2014-15 will see an addition of 120 children and an addition of a grade. The MCGM provides the infrastructure for the school. 3.2.1. administers the school with a motivated team of teachers, staff and pedagogy to create a measurable impact in the learning outcomes of young children. HDFC has partnered the Foundation towards meeting the expenses of running the school.

### Nari Sewa Samiti, Lucknow

Nari Sewa Samiti is a complete educational and cultural institution dedicated primarily to the underprivileged girl child. The institution runs classes from kindergarten to degree college and has an enrollment of more than 4,000 children. The organisation was established in 1933 and the early activities of this institution included the construction of a hostel for girls, a training school for nursing aids, and a teaching school providing academic and vocational training for young girls. Nari Sewa Samiti has recently started a medical centre in the premises where quality healthcare reaches the underprivileged sections of society.

The main thrust of the organisation is womens' education and welfare through different methods. HDFC was approached by the organisation to meet the expenses of bringing up the standard of the Womens Intermediate College which was in urgent need of repairs and general improvement. The repairs and refurbishment would ensure availability of facilities such as an improved science and computer lab, airy class rooms, furniture and other facilities. The annual maintenance grant is inadequate to meet the upkeep needs of the college. The nominal fee is not sufficient to pay for the expenses and the college receives only salary grants from the government. HDFC partly supported the refurbishment of the college premises, including upgradation of the laboratories for the science stream.

### Chirag Rural Development Foundation, Thane District

Recognising that India's progress depends a great deal on the progress

and development of rural India, the Chirag Rural Development Foundation was set up with a 5-point Rural Transformation Model titled 'Project Chirag'. This model deals with five areas - Environment, Education, Healthcare & Sanitation, Social Upliftment, and Economic Empowerment.

Phase 1 of the programme focuses on the primary requirement of electricity across villages. The aim and effort is towards lighting up dark villages, which have never had any electricity, through solar energy. The Foundation provides inexpensive, clean and sustainable power solutions thereby electrifying villages of rural India. The Foundation chooses villages wherein more than 75% of the population is below the poverty line. In phase 2 of this programme, economic upliftment activities would be carried out along with establishing public kitchens, improving educational infrastructure and aids, adult literacy programmes as well as other skill-set enhancement training programmes. Till date, a total of 5,800 households have been provided solar lighting across Maharashtra, Rajasthan, Uttar Pradesh and Karnataka impacting more than 30,000 villagers.

HDFC has been partnering the Foundation in lighting up villages across Thane district by providing solar lanterns. Differently abled communities are involved as a part of the value chain in Project Chirag. These communities otherwise have a very remote chance of being gainfully employed and hence this revenue-generation uplifts them economically. The youth plays a role at every stage of this project. Right from strategising, planning, execution, mobilising resources in the communities, government, the

corporate sector to linking necessary entities in the value chain, young students and professionals are completely handling every aspect of this village transformation project.

HDFC supported the lighting of 325 houses spread across 8 villages. The partnership included the lighting of public areas such as the village medical centre, aanganwadis and street lighting. The Foundation aims to spread its work across Madhya Pradesh and Kashmir in the coming years.

#### **Concern India Foundation, Hyderabad**

Concern India Foundation (CIF) was started in 1991 with the objective of 'Helping People Help Themselves'. CIF supports development-oriented organisations that reach out to destitute and/or orphaned children, deserted and/or abused women, tribal population and the disabled. CIF raises finance for smaller grassroot level organisations that do not have the expertise of raising funds on their own. The Foundation works closely with more than 100 NGOs that fall under the broad gambit of education, health and community development.

The Foundation's Hyderabad branch approached HDFC to support a medical education and nature services programme titled 'MEANS' for the elderly with a special focus on the elderly destitute, infirm and widows. The project focuses on the health needs of the elderly, providing health-care free of cost through their home, provision of nutritional supplements etc.

#### **SAVALI, Pune**

SAVALI is a registered charitable trust working for mentally challenged and cerebral palsy children and adults for the last twenty-two years. SAVALI

is the first life-long care centre not only in Maharashtra but also in India wherein all facilities are provided under one roof. At present, 45 inmates are taking benefit of life-long care at the centre with 30 devoted staff. The institution has all the required facilities and services essential for mentally challenged individuals at their centre. The institute has received recognition from various government and non-government organisations for its work. The institute has also received many awards including 4 national awards.

After seeing the dire need for facilities such as these, SAVALI has increased its activities by constructing one more residential care centre facility for children titled 'Group Home'. The home is being constructed as a 3-storied building with space for 40 inmates. Group Home is a concept wherein 8-10 children are under the care and supervision of a 'Mother' and an attendant helping the mother. HDFC is partnering SAVALI by funding its ongoing charitable activities.

#### **MoneyLife Foundation, Mumbai**

Moneylife Foundation was set up with a mission to spread financial literacy and be the voice of Indian savers. Moneylife Foundation spreads financial literacy through a free reading room of business books, workshops, counseling, grievance redressal, lectures by experts and inputs for effective policy-making. The Foundation has held seminars on the Union Budget, investments, savings, mutual funds, financial scams, pensions, insurance, wills, transmission & nomination, m-commerce, real estate, credit cards, tax returns, how to deal with mis-selling by banks and credit bureaus.

Over the past four years, Moneylife Foundation has conducted over 190 workshops, seminars, lectures and screening of films to educate people on financial regulation and laws that affect ordinary persons. The Foundation has frequent requests to run a helpline or resource centre to provide guidance on at least a few of these issues. The Foundation has set up a Legal Resource Centre (LRC) that can offer guidance on a range of issues that are outside the domain of regular civil society organisations. The LRC will attempt to research issues and approach the right forum to redress grievances. The LRC consists of a committee of eminent legal experts, specialising from RTI to PILs to estate laws to property laws. These experts will assist MoneyLife Foundation members on a pro-bono basis.

#### **Ramakrishna Mission, Delhi**

Ramakrishna Math and Ramakrishna Mission are twin organisations, which form the core of a worldwide spiritual movement known as the Ramakrishna Movement. The Mission conducts various types of social service across India. The Math and the Mission together have 166 branch centres in different parts of the world. The headquarters is in Belur Math. All centres come under the administrative control of the Board of Trustees, whereas all branch centres of Ramakrishna Mission come under the administrative control of the governing body of Ramakrishna Mission.

The Ramakrishna Mission in association with the Delhi Government is constructing a night shelter for the poor. The Delhi Urban Shelter Improvement Board has sanctioned land for this purpose. The structure will be a four storied building wherein

two floors of 4,000 sq. ft. each will be built by the Mission. A total of 200 persons from impoverished backgrounds will benefit from this shelter to be started by November 2014. The shelter will be supervised by the Mission on a regular basis. HDFC is one of the partners of this initiative.

#### **Foundation For Education & Development, Abu Road, Pindwara, Laxmangarh**

A substantial 22% of India's population is in the 11 to 20 age group. This translates to 225 million adolescents. Of these, nearly one-third have either never enrolled into school or dropped out before grade V. They are easily drawn towards anti-social elements and activities. Started in 2001 by the Foundation for Education & Development, the Doosra Dashak project (meaning second decade) provides education and development of persons in 11 to 20 age group, mainly adolescents, and to make it a lever for larger social and economic development. The education provided is residential in nature and emphasises the inculcation of values with idealism which can become a source of social change and economic advancement. The programme focuses on channelising the immense energy of these young boys and girls towards community development and nation building. The objectives are to meet their basic learning needs and to

relate learning to life, work and environment, to equip them for adolescence and family life through improvement in their understanding of issues in health/reproductive health, to create an awareness about the underlying causes of socio-economic and gender inequality, to cater to livelihood related issues by enhancing vocational and life skills and to employ science and technology for improving the lives of the people.

HDFC has been approached for assistance towards carrying out the Doosra Dashak program at Abu Road, Pindwara (Sirohi District) and Laxmangarh (Alwar district). The programme includes a four-month residential camp, life skills training, education centres and youth and women's forums. The programme has impacted over 3,500 youth directly and over 5,000 youth indirectly.

#### **Vasanth Memorial Trust, Chennai, Mumbai**

The Vasanth Memorial Trust was started in Tiruchirappalli and now works out of 3 nodes – Chennai, Mumbai and Coimbatore. The organisation provides cancer care to a patient beyond treatment and rehabilitates the individual as a normal and useful citizen in the community. Directly it has touched 850 lives and indirectly the numbers are manifold higher. Apart from its general awareness on cancer, the

Trust also runs Cancer Free tomorrow campaigns in schools and breast cancer awareness programmes across slum communities.

The Vasanth Memorial Cancer Centre at Chennai is a 4 - bedded cancer clinic and chemotherapy centre that offers high end treatment free or at highly subsidised rates. The Centre has registered close to 700 new patients with an overall turnout of over 3,000. It also has an in house lab and offers counseling and rehabilitation services. The Trust also provides accommodation facilities to patients from out of town. HDFC partnered the Trust towards meeting the cost of running their Cancer Care Centre.

The organisation also approached HDFC for assistance towards supporting the medical treatment for children from impoverished families suffering from acute lymphoblastic leukemia (a type of blood cancer). The Trust will work in close co-ordination with doctors at the KEM Hospital, Mumbai to identify needy and deserving patients. The hospital along with the Trust does a background check on the financial position of the family and recommends the case for support to an internal committee set up by the Trust. The Trust through its association with HDFC will support the entire treatment expenses of 10 children.



## Secretarial Audit Report

The Board of Directors  
Housing Development Finance Corporation Limited  
'Ramon House', H.T. Parekh Marg,  
169, Backbay Reclamation, Churchgate, Mumbai 400 020.

We have examined the registers, records, books and papers of Housing Development Finance Corporation Limited (HDFC) (the Company) having its registered office at 'Ramon House', H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020 and having Corporate Identity Number (CIN) L70100MH1977PLC019916, as required to be maintained under the Companies Act, 1956 (the Act)/ Companies Act, 2013 (to the extent applicable) and the Rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended March 31, 2014. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company and its officers, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers and records as required under the provisions of the Act and the Rules made thereunder and the entries therein have been duly recorded.

2. The Company has duly filed the forms, returns and documents with the Registrar of Companies, Maharashtra/Ministry of Corporate Affairs and other authorities as required under the Act and Rules made thereunder.

3. All the requirements relating to the meetings of Board of Directors, Committee of Directors and Shareholders as well as relating to the minutes of the proceedings thereat have been complied with.

4. The Board of Directors of the Company is duly constituted.

5. The Directors of the Company have made all the required disclosures under Sections 299, 305 and 274(1)(g) of the Act. Pursuant to the disclosures made by the Directors, the Company has complied with the prescribed requirements.

6. The issue of capital and securities is in conformity with the requirements of the Act. The issue of share certificates and the transfer and transmission thereof has been registered properly.

7. The Company has obtained all the necessary approvals from the Directors, Shareholders and other authorities as required under the Act.

8. The Company has complied with all the provisions of the listing agreements with the BSE Limited and the National Stock Exchange of India Limited.

9. The Company has transferred the dividend declared on July 19, 2013 to a separate dividend account on July 20, 2013 and all the unpaid / unclaimed dividend accounts have been reconciled.

10. During the year under review, the Company has transferred to the Investor Education and Protection Fund, unclaimed dividend amounting to ₹ 56,83,920/- that has not been claimed by the shareholders for the financial year 2005-06, in accordance with the provisions of the Act.

11. The Company has framed an insider trading code called

'HDFC - Share Dealing Code' strictly on the lines of model code prescribed under the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended and the same has been implemented during the year under review. Mr. Girish V. Koliyote, Company Secretary acts as the Compliance Officer.

12. The Company has complied with the disclosure requirements of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and SEBI (Prohibition of Insider Trading) Regulations, 1992.

13. The Company is registered with the Securities and Exchange Board of India (SEBI) as 'Category II – In House Share Transfer Agent' and holds a valid permanent registration certificate. The Company has established connectivity with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). The Company has also complied with the provisions of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

14. The Company has complied with the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 during the year under review.

For N. L. Bhatia & Associates  
Company Secretaries

MUMBAI  
April 28, 2014

N. L. Bhatia  
FCS – 1176  
CP No.: 422

## Shareholders' Information

This section *inter alia* provides information pertaining to the Corporation, its shareholding pattern, means of dissemination of information, service standards, share price movements and such other information, in terms of point No. 9 of Annexure IC to Clause 49 of the listing agreements relating to Corporate Governance.

Registered Office	Corporate Office	Investor Services Department (ISD)
Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020. Tel. No. : +91 22-6176 6000 Fax No. : +91 22-2281 1205 Website : <a href="http://www.hdfc.com">www.hdfc.com</a>	HUL House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020. Tel. No. : +91 22-6631 6000 Fax Nos. : +91 22-2204 6758, 2281 1203	Tel Rasayan Bhavan, Gr. Floor, Opp. BEST Workshop Gate No. 4, Tilak Road Extn., Dadar T.T., Dadar (E), Mumbai 400 014. Tel. No. : +91 22-6141 3900 Fax No. : +91 22-2414 7301 E-mail : <a href="mailto:investorcare@hdfc.com">investorcare@hdfc.com</a>

### Shifting of Investor Services Department (ISD)

The Board of Directors of the Corporation at its meeting held on May 6, 2014 approved the shifting of the ISD to the registered office of the Corporation, with effect from September 1, 2014.

Any correspondence to the ISD after the said date, be please sent to the new address.

### 37<sup>th</sup> Annual General Meeting (AGM)

Day/Date : Monday, July 21, 2014

Time : 3.00 p.m.

Venue : Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.

### E-voting

In accordance with the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Clause 35B of the listing agreements, the Corporation is providing to its Members the facility to exercise their right to vote in respect of all matters as set out in the Notice dated May 6, 2014 convening the 37<sup>th</sup> AGM and the Postal Ballot Notice dated May 6, 2014, through the e-voting platform of the National Securities Depository Limited (NSDL) or through postal ballot.

Detailed instructions so as to enable the Members of the Corporation to exercise their right to vote through e-voting or postal ballot are detailed in the notice convening the AGM and the Postal Ballot Notice.

### Financial Year

The Corporation follows the financial year starting from April 1 to March 31 each year.

### Payment of Dividend

The Board of Directors of the Corporation has recommended payment of dividend of ₹ 14.00 per equity share of ₹ 2 each, for the financial year ended March 31, 2014, for the approval of the shareholders at the AGM (Previous Year ₹ 12.50 per equity share of ₹ 2 each).

### Book Closure

Pursuant to the provisions of Section 91 of the Companies Act, 2013 and Rule 10 of the Companies (Management and Administration) Rules, 2014, the Register of Members and the Share Transfer Books of the Corporation will remain closed from Tuesday, July 8, 2014 to Monday, July 21, 2014 (both days inclusive) for the purpose of payment of dividend for the financial year 2013-14.

The dividend of ₹ 14.00 per equity share of ₹ 2 each as recommended by the Board of Directors, if approved by the members at the AGM, will be dispatched/remitted to those members whose names appear in the Register of Members of the Corporation/the statements of beneficial ownership maintained by the depositories, as at the close of business hours on Monday, July 7, 2014.

#### Financial Calendar for the Year 2014-15

The tentative schedule for holding meetings of the Audit Committee/Board of Directors of the Corporation and the 38<sup>th</sup> Annual General Meeting are as under:

Nature of meeting	Purpose	Probable date
Audit Committee/Board Meeting	To review and approve the un-audited stand-alone financial results of the Corporation and the un-audited consolidated financial results for the quarter ending June 30, 2014, subject to a limited review by the auditors of the Corporation.	By the fourth week of July 2014
Audit Committee/Board Meeting	To review and approve the un-audited stand-alone financial results of the Corporation and the un-audited consolidated financial results for the quarter/half-year ending September 30, 2014, subject to a limited review by the auditors of the Corporation.	By the third week of October 2014
Audit Committee/Board Meeting	To review and approve the un-audited stand-alone financial results of the Corporation and the un-audited consolidated financial results for the quarter/nine months ending December 31, 2014, subject to a limited review by the auditors of the Corporation.	By the third week of January 2015
Audit Committee/Board Meeting	To <i>inter alia</i> review and approve the audited financial results of the Corporation and the audited consolidated financial results for the year ending March 31, 2015 and recommend dividend, if any, for the financial year ending March 31, 2015.	By the second week of May 2015
Audit Committee/Board Meeting	To review and approve the un-audited stand-alone financial results of the Corporation and the un-audited consolidated financial results for the quarter ending June 30, 2015, subject to a limited review by the auditors of the Corporation.	By the third week of July 2015
38 <sup>th</sup> Annual General Meeting	Adoption of audited annual accounts of the Corporation and the audited consolidated annual accounts for the year ending March 31, 2015, declaration of dividend, if any, re-appointment of directors, appointment of statutory auditors, etc.	

In addition to the above, the meetings of Investor Relations & Grievance Committee of Directors will be convened to *inter alia* review the status of investors' grievance, activities relating to ISD and status of compliances with applicable corporate and securities laws. Further, additional meetings of Board, Nomination and Compensation Committee and other committees of Directors may be convened as and when deemed necessary.



## Listing on Stock Exchanges

### Equity Shares

The equity shares of the Corporation are listed on the following stock exchanges and are tradable on all other recognized stock exchanges in India. The International Security Identification Number (ISIN) in respect of the said equity shares is INE001A01036.

<b>BSE Limited (BSE)</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. Tel. Nos.: +91 22-2272 1233/34 Fax Nos.: +91 22-2272 2037/3121/3719 E-mail: <a href="mailto:is@bseindia.com">is@bseindia.com</a> Website: <a href="http://www.bseindia.com">www.bseindia.com</a>	<b>National Stock Exchange of India Limited (NSE)</b> Exchange Plaza, Plot No. C/1, G. Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051. Tel. Nos.: +91 22-2659 8235/36 Fax Nos.: +91 22-2659 8237/38 E-mail: <a href="mailto:ignse@nse.co.in">ignse@nse.co.in</a> Website: <a href="http://www.nseindia.com">www.nseindia.com</a>
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Stock Exchange Codes:	Reuters Codes:	Bloomberg Codes:
BSE - 500010	BSE - HDFC.BO	BSE - HDFC
NSE - HDFC EQ	NSE - HDFC.NS	NSE - NHDFC

### Debt Securities

The Non-Convertible Debentures (NCD) issued by the Corporation are listed for trading on the Wholesale Debt Market segments of the NSE and BSE.

### Listing Fees

The listing fees have been paid to BSE and NSE for the financial year 2014-15.

### Investor Services Department (ISD)

The Corporation is committed to provide all investor related services in a timely, transparent and reliable manner through streamlined processes administered by a team of committed and trained personnel.

The Corporation has been granted permanent registration by the Securities and Exchange Board of India (SEBI) to act as an in-house Share Transfer Agent – Category II. The Corporation has connectivity with both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISD has a dedicated and well trained staff to cater to the needs of 1,82,127 shareholders representing a market capitalization of ₹ 1,37,935 crore and 5,515 debenture holders with a portfolio of ₹ 85,135.60 crore (all figures as on March 31, 2014).

The ISD offers services pertaining to transfer, transmission, transposition, dematerialization, re-materialization of shares, issue of duplicate dividend warrants, issue of duplicate, replaced, consolidated and split share certificates, change of name, address and bank account details, nomination facility and other related services like remittance of dividend through Electronic Clearing Service (ECS), National Electronic Clearing Service (NECS), Direct Credit Service (DCS), Real Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT), issuing reminders to members to claim their dividend which is due for transfer to the Investor Education and Protection Fund (IEPF) and processes applications received in respect of unclaimed shares.

Shareholders holding shares in physical form are requested to contact the ISD for any of the aforesaid services. However, those holding shares in electronic form are required to directly contact their Depository Participant(s) (DP) for any of the aforesaid services, excluding services relating to unclaimed dividend and unclaimed shares.

## Share Transfer System

In terms of Clause 49 (IV) (G) (iv) of the listing agreements, the Board of Directors of the Corporation, has constituted an Investor Services Committee (ISC) comprising the company secretary and senior officers of the Secretarial Department. The board has also constituted a Share Transfer Committee (STC), which comprises the Chairman and the whole-time directors of the Corporation.

The ISC is authorized to approve transfer, transmission, transposition, dematerialization and re-materialization of shares and places the same before the STC for its ratification.

A statement of transactions ratified/approved by the STC is tabled at the subsequent meetings of the Investor Relations & Grievance Committee of Directors/ board, for its noting/ ratification/ approval, as the case may be.

## Service Standards

The Corporation is committed to providing effective and prompt service to its investors. The ISD has been entrusted with the responsibility of ensuring that the investors of the Corporation are serviced within the adopted service standards. Listed below are the service standards adopted by the Corporation in respect of various services being rendered by the ISD.

Nature of Service*	Mode of receipt of request	
	Through post	Over the counter
Transfer of shares	3 working days	20 minutes
Transposition of names	3 working days	20 minutes
Change of address/ ECS/ Bank details	3 working days	20 minutes
Registration of Nomination	3 working days	20 minutes
Issue of duplicate dividend warrant(s)	4 working days	20 minutes
Transmission of shares/ Deletion of name	7 working days	-
Split/ Replacement/ Consolidation of share certificate(s)	7 working days	-
Dematerialization of shares	8 working days	-
Re-materialization of shares	8 working days	-
Release of unclaimed shares	10 working days	-
Issue of duplicate share certificate(s)	15 days	-

\* Subject to receipt and verification of valid documents and requisite approvals.

The investors are requested to contact the ISD for availing any of the said services. The Corporation has designated an exclusive e-mail address viz. [investorcare@hdfc.com](mailto:investorcare@hdfc.com), which would enable its investors to post their grievance and monitor its redressal. Key Managerial Personnel (KMP) of the ISD have been entrusted with the task of accounting and reviewing all correspondence/ complaints received by the Corporation and ensuring its redressal in accordance with the relevant SOP and within the said service standards.

A status report on adherence to the said service standards is reviewed by the company secretary on a monthly basis and a detailed report is tabled at the meetings of the Investor Relations & Grievance Committee, on a quarterly basis, for its review and noting.

## Investors' Grievances

During the year under review, the Corporation received 3,423 correspondence and 903 e-mails (addressed to [investorcare@hdfc.com](mailto:investorcare@hdfc.com)) from its investors, capital market intermediaries and statutory/ regulatory authorities, *inter alia* requesting for dematerialization of shares, transfer/ transmission of shares, non-receipt of dividend warrants/

sub-divided share certificates, annual report, effecting changes to the address and/ or bank account particulars of the shareholders etc., and other services relating to the securities of the Corporation.

The said correspondence/e-mails were reviewed by the KMP, before forwarding the same to the concerned service provider for appropriate response, in accordance with the relevant SOP and within the said service standards.

SEBI vide Circular No. CIR/01AE/2/2011 dated June 3, 2011, informed all the listed companies about processing of investor complaints through a centralized web based complaints redress system known as SEBI Complaints Redress System (SCORES). During the year under review, the Corporation received 6 complaints through SCORES, all of which were responded to, in accordance with the said Circular.

The details of investor complaints received and redressed by the Corporation during the last three financial years are as under:

Received from	No. of complaints received			No. of complaints unresolved as on March 31, 2014
	2011-12	2012-13	2013-14	
Stock Exchanges and SEBI including SCORES	14	18	9	Nil
NHB, MCA and others	Nil	2	2	Nil
Directly received from investors relating to:				
1. Non-receipt of share certificate(s)	Nil	Nil	Nil	Nil
2. Delay in dematerialization of shares	Nil	Nil	Nil	Nil
3. Non-receipt of dividend warrants	2	Nil	Nil	Nil
4. Non-receipt of annual report	1	Nil	Nil	Nil
5. Change of shareholders' details	1	Nil	Nil	Nil
<b>Total No. of complaints received</b>	<b>18</b>	<b>20</b>	<b>11</b>	<b>Nil</b>
<b>Total No. of complaints redressed</b>	<b>18</b>	<b>20</b>	<b>11</b>	<b>Nil</b>

There was no investor complaint that was unresolved as on April 1, 2013. During the year, the Corporation received 11 investor complaints. All of them were resolved and as such there was no unresolved investor complaint as on March 31, 2014.

The status of correspondence/ complaints received and redressed by the Corporation is tabled at the meetings of the Investor Relations & Grievance Committee/ board, on a quarterly basis, for their review and noting.

## Website

Information regarding the Corporation can also be accessed on its website, [www.hdfc.com](http://www.hdfc.com).

The 'Company Information' section on the website of the Corporation contains the information relating to corporate governance and investor relations. The 'Corporate Governance' section contains statement on corporate governance, financial calendar, details relating to the Board of Directors, their directorships/ memberships in committees of public companies, details of the meetings of the board/ committees thereof held during the current financial year, attendance of each director thereat and at the 36<sup>th</sup> AGM, quarterly compliance report on corporate governance filed with the Stock Exchanges, code of conduct as applicable to directors and senior management of the Corporation and the certificate issued under Clause 49 V of the listing agreements, for the financial year ended March 31, 2014.

The 'Investor Relations' section on the website of the Corporation contains information relating to the ISD, the various services provided to investors, financials, investor presentations, weekly shareholding pattern, listing of securities, dividends, debentures, announcements and answers to frequently asked questions.

## Unclaimed Shares

Clause 5A of the listing agreements *inter alia* requires every listed company to comply with certain procedures in respect of shares issued by it in physical form pursuant to a public issue or any other issue and which remained unclaimed for any reason whatsoever.

Summary of the claims received/ processed by the Corporation in respect of unclaimed shares during the financial year 2013-14 and its status as on March 31, 2014, is detailed as under:

Sr. No.	Particulars	No. of shareholders	No. of equity shares of ₹ 2 each
I	Aggregate number of shareholders and the outstanding equity shares lying in the Unclaimed Suspense Account as on April 1, 2013.	496	6,76,875
II	Number of shareholders who approached the Corporation for transfer of equity shares from the said Unclaimed Suspense Account during the year ended March 31, 2014.	22	24,500
III	Number of shareholders (out of the said 22 shareholders) to whom equity shares were transferred from the Unclaimed Suspense Account during the year ended March 31, 2014.	13	16,200
IV	Aggregate number of shareholders and the outstanding equity shares lying in the Unclaimed Suspense Account as on March 31, 2014. (I-III)	483	6,60,675

In terms of the said Clause, voting rights on the equity shares lying in the said Unclaimed Suspense Account shall remain frozen till the rightful owner claims such shares. Further, all corporate benefits in terms of securities accruing on the said unclaimed shares viz. bonus shares, split, etc., if any, shall also be credited to the said Unclaimed Suspense Account.

The concerned shareholder(s) are requested to write to the ISD to claim the said equity shares. On receipt of such claim, the Corporation may call for additional documents. Subject to its receipt and verification, the Corporation may either transfer the said shares lying in the said Unclaimed Suspense Account to the depository account provided by the concerned shareholder(s) or deliver the physical share certificate after rematerializing the same as directed by the shareholder(s), to his address registered with the Corporation.

## Dematerialization of Shares and Liquidity

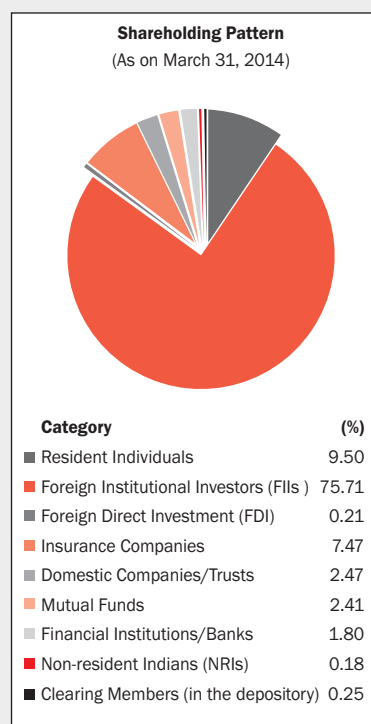
The equity shares of the Corporation are in the list of scrips specified by SEBI to be compulsorily traded in the electronic form. As on March 31, 2014, 98.92% of the total issued and paid-up equity share capital of the Corporation is held by 1,70,357 shareholders in electronic form and the balance 1.08% is held by 11,770 shareholders in physical form.

## Distribution of Shareholding

Details of shareholding based on category, holding and location as on March 31, 2014, are given below:

### According to Category:

Category	Physical form		Electronic form		Total		
	No. of share-holders	No. of shares	No. of share-holders	No. of shares	No. of share-holders	No. of shares	% to capital
Resident Individuals	11,670	1,63,32,834	1,63,188	13,19,75,481	1,74,858	14,83,08,315	9.50
Foreign Institutional Investors (FIIs)	0	0	1,060	118,14,42,356	1,060	118,14,42,356	75.71
Foreign Direct Investment (FDI)	0	0	5	32,48,505	5	32,48,505	0.21
Insurance Companies	1	500	23	11,66,22,066	24	11,66,22,566	7.47
Domestic Companies/Trusts	78	4,88,735	1,907	3,80,74,035	1,985	3,85,62,770	2.47
Mutual Funds	4	4,750	304	3,75,35,507	308	3,75,40,257	2.41
Financial Institutions/Banks	5	7,100	76	2,80,26,994	81	2,80,34,094	1.80
Non-resident Indians (NRIs)	12	13,000	3,414	28,11,689	3,426	28,24,689	0.18
Clearing Members (in the depository)	0	0	380	39,49,053	380	39,49,053	0.25
<b>Total</b>	<b>11,770</b>	<b>1,68,46,919</b>	<b>1,70,357</b>	<b>154,36,85,686</b>	<b>1,82,127</b>	<b>156,05,32,605</b>	<b>100.00</b>



### According to Holding:

No. of shares held	Physical Form		Electronic Form		Total		
	No. of shareholders	No. of shares	No. of shareholders	No. of shares	No. of shareholders	No. of shares	% to capital
Upto 100	508	44,860	1,01,474	32,28,899	1,01,982	32,73,759	0.21
101 - 500	2,866	11,18,341	29,534	83,25,132	32,400	94,43,473	0.60
501 - 1,000	3,722	35,83,893	13,871	1,19,32,804	17,593	1,55,16,697	0.99
1,001 - 2,500	3,636	68,95,300	15,848	2,82,06,199	19,484	3,51,01,499	2.25
2,501 - 5,000	851	29,45,725	5,072	1,81,03,288	5,923	2,10,49,013	1.35
5,001 - 10,000	138	9,68,775	1,851	1,31,74,246	1,989	1,41,43,021	0.91
10,001 - 50,000	43	7,71,475	1,441	3,15,55,860	1,484	3,23,27,335	2.07
50,001 - 1,00,000	4	3,05,150	344	2,44,48,962	348	2,47,54,112	1.59
1,00,001 and above	2	2,13,400	922	140,47,10,296	924	140,49,23,696	90.03
<b>Grand Total</b>	<b>11,770</b>	<b>1,68,46,919</b>	<b>1,70,357</b>	<b>154,36,85,686</b>	<b>1,82,127</b>	<b>156,05,32,605</b>	<b>100.00</b>

**According to Location:**

City *	No. of shareholders	% to total shareholders	No. of shares	% to capital
Mumbai	52,792	28.99	146,05,64,150	93.59
Pune	12,035	6.61	88,22,915	0.57
Delhi	8,701	4.78	1,26,57,775	0.81
Bengaluru	8,457	4.64	1,05,24,524	0.67
Ahmedabad	7,695	4.23	60,68,584	0.39
Chennai	7,022	3.86	72,47,025	0.46
Kolkata	6,690	3.67	93,53,122	0.60
Vadodara	4,944	2.72	40,31,738	0.26
Hyderabad	3,922	2.15	23,19,281	0.15
Surat	1,897	1.04	9,06,781	0.06
Ghaziabad	1,526	0.84	8,64,991	0.06
Dombivali	1,406	0.77	5,53,733	0.04
Nagpur	1,391	0.76	9,74,602	0.06
Nashik	1,292	0.71	7,56,796	0.05
Jaipur	1,206	0.66	10,27,520	0.07
Indore	1,183	0.65	8,00,876	0.05
Lucknow	1,150	0.63	6,92,866	0.04
Rajkot	1,148	0.63	7,60,269	0.05
Other Cities	57,670	31.66	3,16,05,057	2.02
<b>Total</b>	<b>1,82,127</b>	<b>100.00</b>	<b>156,05,32,605</b>	<b>100.00</b>

\* In case of FIIs, NRIs & foreign investors who have invested under the FDI route, their addresses in India have been considered.

**Major Shareholders**

Details of shareholders holding 1% or more of the total issued and paid-up share capital of the Corporation as on March 31, 2014, are given below:

Sr. No.	Name of the shareholder	No. of shares held	% to capital
1	Oppenheimer Developing Markets Fund	6,52,03,138	4.18
2	Europacific Growth Fund	5,86,45,570	3.76
3	Life Insurance Corporation Of India	3,82,68,355	2.45
4	Aberdeen Global Indian Equity (Mauritius) Limited	3,17,90,000	2.04
5	Government Of Singapore	3,02,98,803	1.94
6	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Inde X Fund	2,73,45,994	1.75
7	Aberdeen Emerging Markets Fund	2,27,99,000	1.46
8	Virtus Emerging Markets Opportunities Fund	2,20,87,975	1.42
9	Abu Dhabi Investment Authority - Gulab	2,18,13,693	1.40
10	ICICI Prudential Life Insurance Company Ltd.	2,11,03,937	1.35
11	National Westminster Bank Plc As Depository of First State Asia Pacific Leaders Fund A Sub Fund of First State Investments ICVC	1,98,67,047	1.27
12	Aberdeen Global-Emerging Markets Equity Fund	1,87,43,012	1.20
13	Copthall Mauritius Investment Limited	1,75,63,247	1.13
14	IIFL INC A/C Vontobel India Fund	1,70,89,614	1.10
15	Carmignac Gestion A/C Carmignac Patrimoine	1,67,07,273	1.07
	<b>Total</b>	<b>42,93,26,658</b>	<b>27.52</b>



## Stock Market Price Data

The monthly high and low price and the volume of shares traded on BSE and NSE during the financial year 2013-14, are as under:

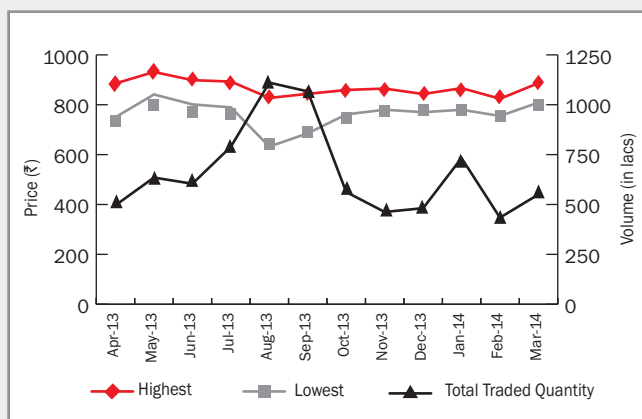
Month	BSE			NSE		
	High (₹)	Low (₹)	No. of shares traded	High (₹)	Low (₹)	No. of shares traded
April-13	879.00	750.10	24,42,507	885.40	750.10	4,88,46,557
May-13	931.00	841.45	35,73,443	931.40	841.30	6,34,92,340
June-13	896.65	802.00	55,30,035	898.65	801.30	6,03,96,121
July-13	893.35	789.50	65,20,945	893.00	789.50	7,89,44,764
August-13	826.95	632.20	52,50,923	827.30	632.20	11,10,76,536
September-13	843.00	686.80	40,57,504	843.60	685.40	10,66,82,335
October-13	856.00	761.35	38,48,910	859.25	761.25	5,62,32,193
November-13	864.00	774.00	41,32,794	864.90	780.10	4,62,53,292
December-13	841.25	771.50	19,53,811	842.95	770.10	4,81,45,762
January-14	867.95	781.00	43,72,015	866.50	780.00	7,33,26,713
February-14	823.70	755.60	24,03,285	824.05	755.00	4,34,28,394
March-14	887.15	808.50	39,83,485	887.00	808.90	5,50,55,438

Source: [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com)

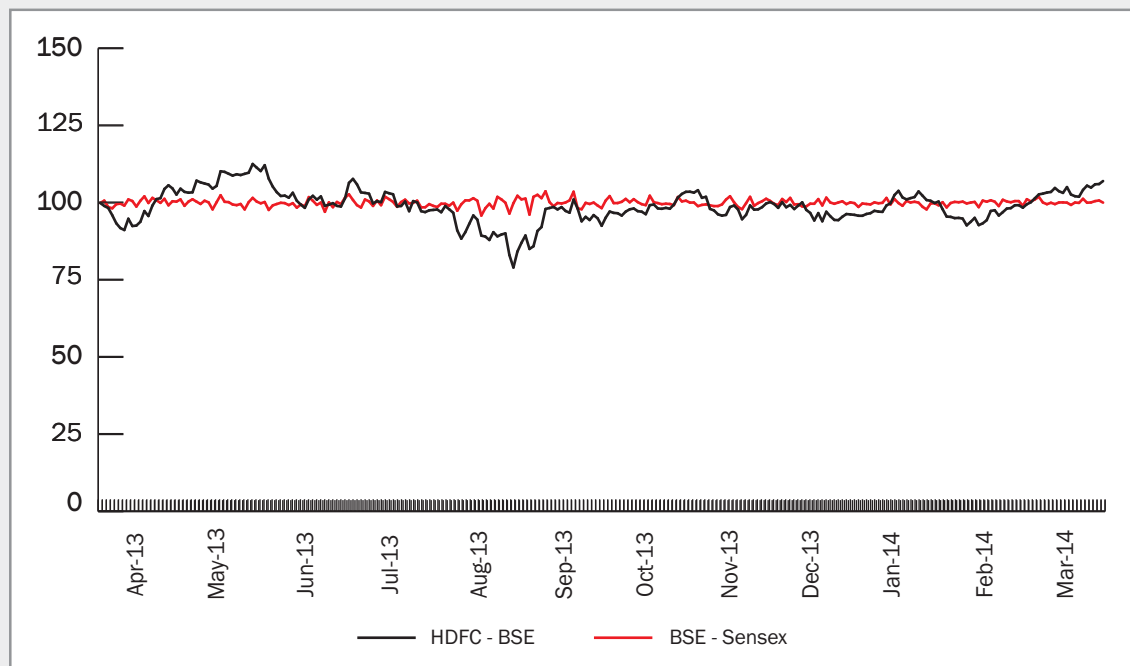
## Share Price Movement on the BSE during 2013-14



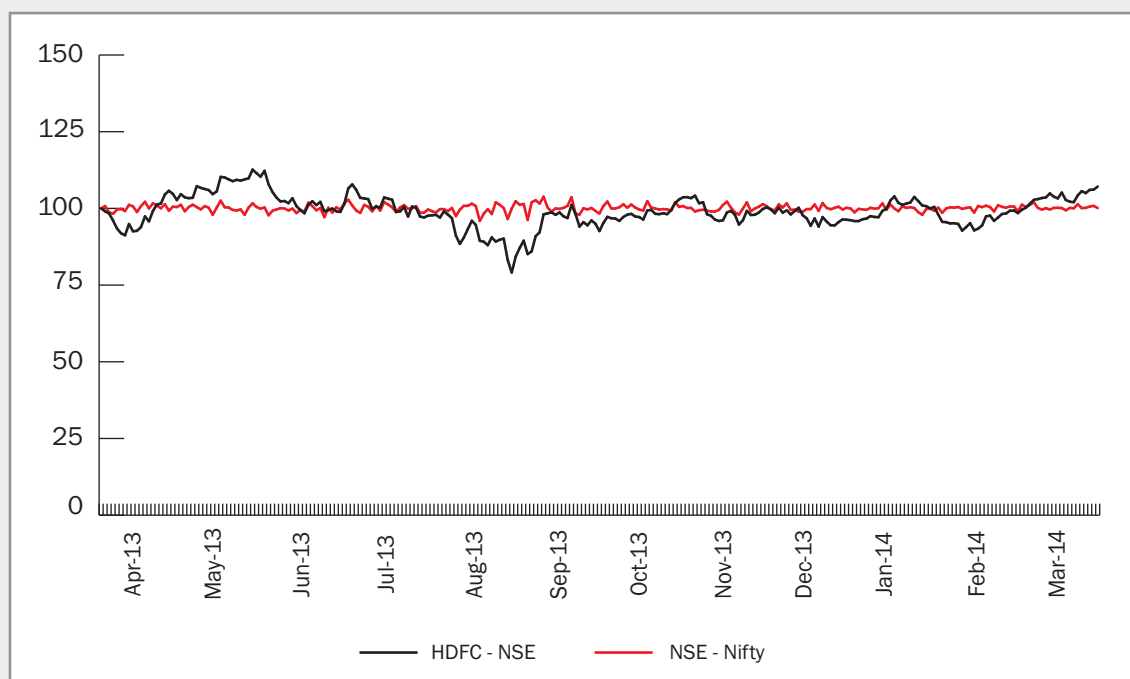
## Share Price Movement on the NSE during 2013-14

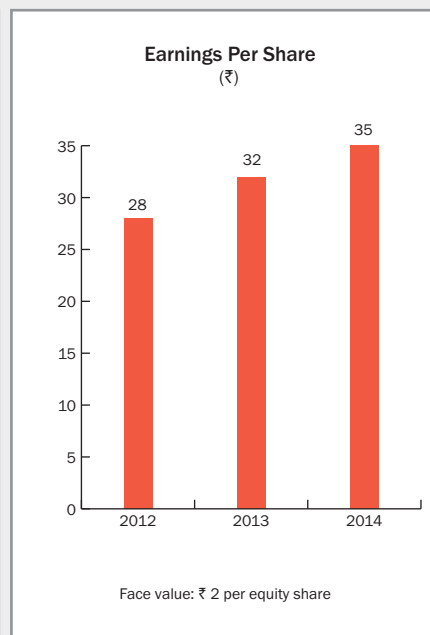
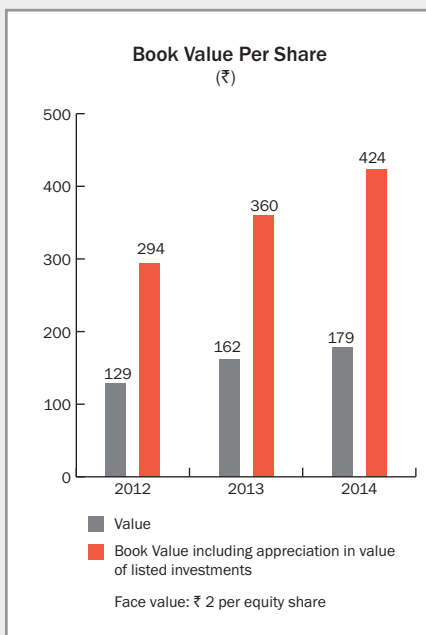
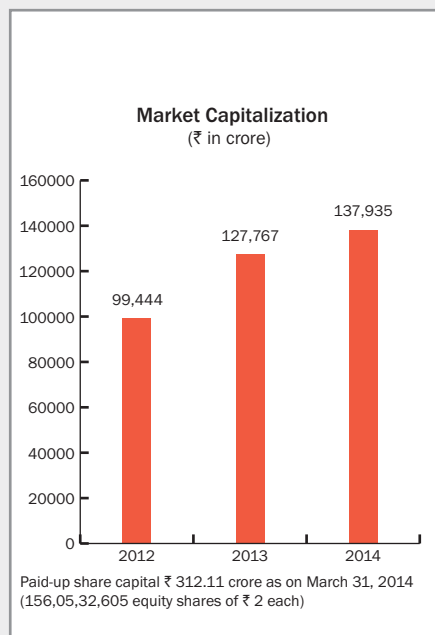


HDFC Share Price versus the BSE - Sensex  
(Both rebased to 100)



HDFC Share price versus the NSE – Nifty  
(Both rebased to 100)





## OTHER IMPORTANT INFORMATION

### Equity History

Particulars	No. of shares issued (of ₹ 2 each)	Year/date
Initial Issue	5,00,00,000	1978
Public cum Rights Issue	5,00,00,000	1987
Public cum Rights Issue	12,50,00,000	1990
Rights Issue of Fully Convertible Debenture	23,62,50,000	1992
Private Placement to Financial Institutions	4,50,00,000	1993
Private Placement to Foreign Investors	8,93,20,000	1995
Allotment under ESOS	1,42,33,565	Between March 2001 and November 2002
Bonus Issue (1:1)	60,98,03,565	December 30, 2002
Allotment under ESOS	1,34,78,475	Between January 2003 and March 2004
Allotment under ESOS	1,25,18,055	During Financial Year 2004-05
Allotment under ESOS	22,16,005	During Financial Year 2005-06
Allotment under ESOS	1,72,13,370	During Financial Year 2006-07
Allotment on a preferential basis	7,62,50,000	July 11, 2007 - CMP Asia Limited
Allotment on a preferential basis	1,37,50,000	July 24, 2007 - Citigroup Strategic Holdings Mauritius Limited

Particulars	No. of shares issued (of ₹ 2 each)	Year/date
Allotment under ESOS	54,89,840	During Financial Year 2007-08
Allotment pursuant to conversion of FCCB	5,96,67,050	During Financial Year 2007-08
Allotment under ESOS	9,07,850	During Financial Year 2008-09
Allotment pursuant to conversion of FCCB	11,71,775	During Financial Year 2008-09
Allotment under ESOS	1,01,56,830	During Financial Year 2009-10
Allotment pursuant to conversion of FCCB	31,24,730	During Financial Year 2009-10
Allotment pursuant to conversion of FCCB	1,41,55,105	During Financial Year 2010-11 (up to July 29, 2010)
Allotment under ESOS	1,71,80,475	During Financial Year 2010-11
Allotment under ESOS	1,00,23,420	During Financial Year 2011-12
Allotment pursuant to exchange of Warrants	59,900	During Financial Year 2011-12
Allotment pursuant to exchange of Warrants	5,46,83,250	During Financial Year 2012-13 (up to September 6, 2012)
Allotment under ESOS	1,46,93,995	During Financial Year 2012-13
Allotment under ESOS	1,41,85,350	During Financial Year 2013-14
<b>Total: (as on March 31, 2014)</b>	<b>156,05,32,605</b>	

Note: The nominal face value of the equity shares of the Corporation was sub-divided from ₹ 100 per equity share to ₹ 10 per equity share, with effect from August 25, 1999 and thereafter from ₹ 10 per equity share to ₹ 2 per equity share, with effect from August 21, 2010. Accordingly, for ease of comparison, all issues have been represented by equity shares of ₹ 2 each.

### Legal Proceedings

Presently, the Corporation is a party to litigations filed by/ against some of its shareholders, relating to dispute over title to shares. The Corporation is not in agreement with the claims made by the concerned shareholders and the said litigations are not material in nature.

As at March 31, 2014, there was no litigation against the Corporation or any of its managing/ whole-time directors, for any of the offences under the enactments specified in Part I of Schedule XIII to the Companies Act, 1956.

### Secretarial Compliance

The Corporation has complied with the applicable provisions of the Companies Act, 1956, the rules framed there under, the SEBI Act, 1992, rules, regulations and guidelines issued there under and the listing agreements. In this connection, Messrs N. L. Bhatia & Associates, practising company secretaries has conducted a secretarial audit for the financial year ended March 31, 2014 and their report is given elsewhere in the annual report.

### Control of the Corporation

The Corporation is neither owned nor controlled, directly or indirectly, by any person, entity or government and does

not owe allegiance to any promoter or promoter group. To the best of its knowledge and belief, the Corporation does not have any arrangement, the operation or consequence of which might directly or indirectly result in a change in its ownership, control or management.

Further, during the year under review, the Corporation has not received any disclosure under Regulation 30 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

### Unclaimed Dividend

Dividends not encashed or claimed, within seven years from the date of its transfer to the unpaid dividend account, will, in terms of the provisions of Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. In terms of the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Corporation or the IEPF after the said transfer.

In order to reduce the quantum of unclaimed dividends, during the year, the Corporation directly credited the unclaimed dividend to the shareholders' accounts, who had updated their bank details with the Corporation/ depositories, either through direct credit or NEFT. The Corporation also issued duplicate dividend drafts i.e., at-par cheques towards the unclaimed dividend for the financial year 2006-07 and dispatched the same to the concerned shareholders.

The Corporation has uploaded the information relating to unclaimed dividends on its website and on the website of the IEPF, in terms of the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 ("IEPF Rules") notified by the Ministry of Corporate Affairs (MCA) on May 10, 2012.

Accordingly, the concerned persons are requested to verify the details of their unclaimed dividends for the financial years from 2006-07 upto 2011-12, if any, from the said websites and lodge their claim with the Corporation, before the same is due for transfer to the IEPF.

The details of the unclaimed dividends and the last date for claiming the same, prior to its transfer to the IEPF, are as under:

Financial Year	No. of Members who have not claimed their dividend	Unclaimed dividend as on March 31, 2014 (₹)	Unclaimed dividend as % to total dividend	Date of declaration	Last date for claiming the dividend prior to its transfer to IEPF
2006-07	1,807	81,06,824	0.15	June 27, 2007	August 4, 2014
2007-08	2,379	1,03,66,275	0.15	July 16, 2008	August 22, 2015
2008-09	2,579	1,35,06,000	0.16	July 22, 2009	August 28, 2016
2009-10	2,927	1,77,53,724	0.17	July 14, 2010	August 20, 2017
2010-11	4,147	2,33,90,784	0.18	July 8, 2011	August 8, 2018
2011-12	3,863	3,16,89,647	0.19	July 11, 2012	August 10, 2019
2012-13	3,637	3,88,14,019	0.20	July 19, 2013	August 19, 2020

As per the provisions of Section 205C of the Companies Act, 1956, unclaimed dividend amounting to ₹ 56,83,920 in respect of the financial year 2005-06 was transferred to the IEPF on September 7, 2013.

Further, the unclaimed dividend in respect of the financial year 2006-07 must be claimed by the concerned shareholder on or before August 4, 2014, as it is liable to be transferred to the IEPF within a period of 30 days from the said date. In terms of the said section, no claim would lie against the Corporation or the IEPF after the said transfer.

#### **Revalidation of Dividend Warrants**

The RBI has notified that effective April 1, 2012, at par cheque(s)/demand draft(s) issued by companies will be valid only for a period of 3 months from the date of its issue. Accordingly, shareholders are requested to kindly encash at par cheque(s)/demand draft(s) issued by the Corporation, before the expiry of the said validity period, failing which the concerned shareholder is requested to return the same to the Corporation, to facilitate issuance of duplicate dividend warrant(s).

#### **Issue of Duplicate Dividend Warrants**

In case the original dividend warrant is reported as lost/misplaced, a duplicate dividend warrant may be issued by the Corporation on receipt of a request letter, duly signed by all the shareholder(s) and subject to its verification.

#### **Nomination Facility**

Section 72 of the Companies Act, 2013, provides that every holder of securities of a company may, at any time, nominate, in the prescribed manner, any person to whom his securities shall vest in the event of his death. Where the securities of a company are held by more than one person jointly, the joint holders may together nominate any person to whom all the rights in the securities shall vest in the event of death of all the joint holders.

In view of the aforesaid, shareholders especially those holding shares in single name are advised to nominate any person by submitting the prescribed nomination form to the ISD. Shareholders can download the prescribed nomination form from the 'Investor Relations' section on the website of the Corporation or contact the ISD. Shareholders holding shares in demat form are requested to contact their DP.

Nomination stands automatically rescinded on transfer/dematerialization of the shares.

#### **Share Transfer Form**

Section 56 of the Companies Act, 2013, provides that the transfer form shall be delivered to the company within a period of 60 days from the date of its execution, along with the share certificate or if no such certificate is in existence, along with the letter of allotment of securities. The format of the share transfer form has changed from Form 7B to Form SH-4.

In view of the aforesaid change, persons who may have acquired the equity shares of the Corporation in physical form and holding the transfer deed in the prescribed Form 7B are requested to lodge their request for share transfer in the prescribed Form SH-4, duly signed by the transferor(s) and the transferee(s) and filled in all respects, along with the share certificate(s) and self-attested copies of PAN card of the transferee(s).

#### **Despatch of documents in electronic form**

In terms of Rule 18(3) of the Companies (Management and Administration) Rules, 2014, a company may give notice through electronic mode including e-mail to those Members who have provided their e-mail address(es) either to their DP or to the company.



Accordingly, the annual report for the financial year 2013-14, the notice convening the 37<sup>th</sup> AGM and the postal ballot notice and other annexures will be sent by e-mail to those members who have registered their e-mail address(es) with their DP/ the Corporation.

In case of any change in the e-mail address, the shareholders are requested to update the same. In case a shareholder fails to update the relevant e-mail address, the annual report, notice convening the 37<sup>th</sup> AGM and the postal ballot notice will be sent to the old e-mail address and the same will be deemed to have been delivered, in terms of the relevant provisions of the Companies Act, 2013 and the said rules.

Members who have not yet registered their e-mail address are requested to register the same with their DP, in case shares are held in electronic form or with the Corporation in case shares are held in physical form.

However, in case any member who has registered his e-mail address with the Corporation/ his DP, but wishes to receive a physical copy of the said documents, is requested to write to *investorcare@hdfc.com*, duly quoting his DP ID and Client ID or his Folio number, as the case may be, to enable the Corporation to record his decision and provide physical copy of the said documents.

Please note that the said documents will also be uploaded on the website of the Corporation viz. *www.hdfc.com* and copies thereof will be made available for inspection at the Registered Office of the Corporation during business hours.

If you need any assistance, please walk in or call any of our offices to experience the warmth, courtesy and professionalism of HDFC.

**REGISTERED OFFICE:** Ramon House, Mumbai 400 020. Tel: 61766000.

**CORPORATE OFFICE:** HUL House, Mumbai - 400 020. Tel. 66316000, 22820282

**BRANCH OFFICES:**

**AGRA** Tel: 2526769/70. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **AHMEDABAD (Navrangpura)** Tel: 66307000. **AHMEDABAD (Maninagar)** Tel: 64501855. (Working Days & Hours: Mon to Fri 10.30 am to 5.30 pm & Sat 10.30 am to 2.00 pm) **AHMEDABAD (Satellite)** Tel: 64501861-64. (Working Days & Hours: Mon to Fri 10.30 am to 5.30 pm & Sat 10.30 am to 2.00 pm) **AHMEDNAGAR** Tel: 6605222. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm and Sat 9.30 am to 1 pm) **AJMER** Tel: 5120888. **AKOLA** Tel: 2442454, 2430244. **ALIGARH** Tel: 2408541/2. **ALLAHABAD** Tel: 2260325. **ALWAR** Tel: 2702739. **AMALNER** Tel: 222237. **AMBALA** Tel: 2630880, 2630711. (Working Days & Hours: Mon to Fri 9.30 am to 5.30 pm & Sat 10 am to 1 pm) **AMRAVATI** Tel: 2666009/987. **AMRITSAR** Tel: 5010512, 2500851. **ANAND** Tel: 255514/7. **ANGUL** Tel: 201555, 605070/80. **ANKLESHWAR** Tel: 227771/2. (Working Days & Hours: Mon to Fri 11 am to 7 pm) **AURANGABAD** Tel: 2358500, 6616500. **BAREILLY** Tel: 2477496, 2477496. **BEAWAR** Tel: 513888, 513788. **BELGAUM** Tel: 2427091-93. (Working Days & Hours: Mon to Fri 10.30 am to 6.30 pm & Sat 10.30 am to 2.45 pm) **BENGALURU (Kasturba Road)** Tel: 41183000/232. **BENGALURU (Electronic City)** Tel: 28523953. (Working Days & Hours: Tue to Sat 9.30 am to 5.15 pm) **BENGALURU (Jayanagar)** Tel: 26592839, 26595471. (Working Days & Hours: Tue to Sat 9.30 am to 5.15 pm) **BENGALURU (Koramangala)** Tel: 25501089. (Working Days & Hours: Tue to Sat 9.30 am to 5.15 pm) **BENGALURU (Marathahalli)** Tel: 41183000 / 25400232. (Working Days & Hours: Tue to Fri 9.30 am to 5.15 pm & Sat 9.30 am to 5 pm) **BENGALURU (Rajaji Nagar)** Tel: 23506446. (Working Days & Hours: Tue to Sat 9.30 am to 5.15 pm) **BENGALURU (Sahakaranagar)** Tel: 23626361/62. (Working Days & Hours: Tue to Sat 9.30 am to 5.15 pm) **BHARUCH** Tel: 238444, 238555. **BHATINDA** Tel: 501 2218-19. (Working Days & Hours: Mon to Fri 9.30 am to 5.30 pm & Sat 10 am to 1 pm) **BHILAI** Tel: 4040840/1. (Working Days & Hours: Mon, Tue & Fri 9.30 am to 5.15 pm) **BHILWARA** Tel: 232902. **BHIWADI** Tel: 512739, 512849. **BHOPAL (MP Nagar)** Tel: 4433333. **BHOPAL (Kamla Bhawan)** Tel: 4229990, 4433333. (Working Days & Hours: Mon to Fri 9.30 am to 5.30 pm) **BHUBANESWAR** Tel: 2395060, 2534555. **BHUBANESWAR (Patia)** Tel: 2726724/8/9. **BIKANER** Tel: 5130715/16. **BILASPUR** Tel: 432302. **BULDHANA** Tel: 246301/2. **CALICUT** Tel: 2367656/7. **CHANDIGARH** Tel: 3989123, 3011300. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **CHANDRAPUR** Tel: 271563-5. **CHENNAI (Anna Salai)** Tel: 28599300. **CHENNAI (Adyar)** Tel: 23452001/2/3. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **CHENNAI (Ambattur)** Tel: 23452077/78/79. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **CHENNAI (Anna Nagar)** Tel: 23451998/1999 (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **CHENNAI (Kodambakkam)** Tel: 24815656/005. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **CHENNAI (OMR)** Tel: 23454004/4003. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **CHENNAI (Porur)** Tel: 24764071/81 (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **CHENNAI (Tambaram)** Tel: 23454001-02. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **CHENNAI (Velacherry)** Tel: 2246 3711/12. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **CHENNAI (DLF IT Park)** Tel: 22520635/735. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **CHENNAI (Egmore)** Tel: 2345 2070/71 (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **COIMBATORE (Kamaraj Road)** Tel: 4301100. **COIMBATORE (Ganapathy Sathy)** Tel.: 4200211/311. (Working days & hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1.30 pm) **COIMBATORE (NSR Road)** Tel: 4399881/2. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1.30 pm) **CUTTACK** Tel: 2332061, 6500105. **DEHRADUN (Rajpur Road)** Tel: 6672222, 18604204222. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm; Sat 10.00 am to 2.00 pm) **DEHRADUN (Vasant Vihar)** Tel: 2769869, 6554222. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm; Sat 10.00 am to 2.00 pm) **DEWAS** Tel: 4433333. **DHULE** Tel: 273500. **DURGAPUR** Tel: 2549778. **ERODE** Tel: 2240928/29. **FARIDABAD** Tel: 4315120/5. (Working Days & Hours: Mon; 11 am to 2 pm & Tue to Sat 11 am to 7 pm) **GANDHIDHAM** Tel: 647274/5. (Working Days & Hours: Mon to Fri 10.30 am to 6.15 pm & Sat 11.00 am to 1.15 pm)

**GANDHINAGAR** Tel: 65727261/2/3. (Working Days & Hours: Mon to Fri 10.30 am to 5.30 pm; Sat 10.30 am to 2.00 pm) **GHAZIABAD (Lohia Nagar)** Tel: 2721446, 2723116. (Working Days & Hours: Mon; 11 am to 2 pm; Tue to Sat ; 11 am to 7 pm) **GHAZIABAD (Vaishali)** Tel: 4233253-54. **GOA (Panaji)** Tel: 223 4172. (Working Days & Hours: Mon to Fri 10.30 am to 6 pm & Sat 10.30 am to 2 pm) **GOA (Margao)** Tel: 2700472/3/5. (Working Days & Hours: Mon to Fri 10.30 am to 6 pm & Sat 10.30 am to 2 pm) **GORAKHPUR** Tel: 3248100. **GULBARGA** Tel: 241966. (Working Days & Hours: Mon to Fri 10.45 am to 6 pm & Sat 10.45 am to 2 pm) **GUNTUR** Tel: 6459890. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **GURGAON (Mehrauli - Gurgaon Road)** Tel: 4061772-3, 4060961. (Working Days & Hours: Mon to Fri 11 am to 7 pm & Sat 11 am to 2 pm) **GURGAON (Sector 14)** Tel.: 4367801/2. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **GUWAHATI (Six Mile)** Tel: 7101800. (Working Days & Hours: Mon to Fri: 9.30 am to 5.15 pm). **GUWAHATI (Chenikuthi)** Tel: 2666915. **GWALIOR** Tel: 4011970/1/3. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **HALDWANI** Tel: 311000. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 9.30 am to 1.30 pm) **HARIDWAR** Tel: 324100, 265325. (Working Days & Hours: Mon to Fri 10 am to 5.45 pm & Sat: 10 am to 2 pm) **HISAR** Tel : 313106, 233383 (Working Days & Hours: Mon to Fri 10 am to 5.30 pm; Sat: 10 am to 2 pm) **HOSUR** Tel: 244888/247444. (Working Days & Hours: Mon to Fri 10 am to 5.15 pm & Sat: 10 am to 1 pm) **HUBLI** Tel: 2356345. (Working Days & Hours: Mon to Fri 10.30 am to 6 pm & Sat 10.30 am to 2 pm) **HYDERABAD (Basheer Bagh)** Tel: 66475001 (10 lines). **HYDERABAD (Dilsukhnagar)** Tel: 67699400. (Working Days & Hours: Tue to Sat 11 am to 7 pm) **HYDERABAD (Gachibowli)** Tel: 64637300. (Working Days & Hours: Tue to Sat 11 am to 7 pm) **HYDERABAD (Kukatpally)** Tel: 64632500. (Working Days & Hours: Mon to Sat 11 am to 7 pm) **HYDERABAD (Panjagutta)** Tel: 67699100. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **HYDERABAD (R C Puram)** Tel: 32592801. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **SECUNDARABAD (Tarnaka)** Tel: 66387200. (Working Days & Hours: Tue to Sat 11 am to 7 pm) **INDORE (M G Road)** Tel: 4433333. **INDORE (Vijay Nagar)** Tel: 4433333. (Working Days & Hours: Mon to Fri 9.30 am to 5.30 pm) **INDORE (Prabhu Nagar)** Tel: 4433333. (Working Days & Hours: Mon to Fri 11 am to 7 pm) **IRINJALAKUDA** Tel: 2821589 **JABALPUR** Tel: 4433333. **JAIPUR (Bhagwan Das Road)** Tel: 5150888. (Working Days & Hours: Mon to Fri: 9.30 am to 5.30 pm & Sat: 10 am to 1.30 pm) **JAIPUR (Jagatpura)** Tel: 5141888/017 (Working Days & Hours: Mon to Fri 9.30 am to 6 pm) **JAIPUR (Mansarovar)** Tel: 2781981, 2780989. (Working Days & Hours: Mon to Fri 9.30 am to 5.30 pm) **JAIPUR (Vaishali Nagar)** Tel: 5110410/11. (Working Days & Hours: Mon to Fri 9.30 am to 5.30 pm) **JALANDHAR** Tel: 2277444/45/46. **JALGAON** Tel: 2220762, 2232015. **JAMMU** Tel: 2477707/8/9 (Working Days & Hours: Mon to Fri: 9.30 am to 5.15 pm & Sat: 10 am to 1 pm) **JAMNAGAR** Tel: 6450156/58. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **JAMSHEDPUR** Tel: 2321387, 6458733. **JHANSI** Tel: 2333844. **JODHPUR** Tel : 5134888, 2644448/9 **KAKINADA** Tel: 6568001. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **KANNUR** Tel: 2765850. **KANPUR** Tel: 2306760, 2306744. **KARNAL** Tel. : 6451231/2, 2266431 (Working Days & Hours: Mon to Fri 9.30 am to 5.30 pm & Sat 10 am to 1 pm) **KANHANGAD** Tel: 2200 599/699. **KOCHI (M. G. Road)** Tel: 3011200. **KOCHI (Aluva)** Tel: 2629575/4456999. **KOCHI (Kakkanad)** Tel: 2415555, 6493030. **KOCHI (Palarivattom)** Tel: 2803043/83. (Working Days & Hours: Mon to Fri 9 am to 5.15 pm) **KOCHI (Tripunithura)** Tel: 2785492/93. **KOLHAPUR** Tel: 2664034/35 (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 9.30 am to 1 pm) **KOLKATA (Brooke House)** Tel: 22815491-94, 22801980, 23018300. **KOLKATA (Behala)** Tel: 24468392. (Working Days & Hours: Tue to Sat 11 am to 7 pm) **KOLKATA (Chandannagore)** Tel: 26830059. **KOLKATA (Cooke and Kelvey)** Tel: 66086200, 22481308. **KOLKATA (Garia)** Tel: 24351082/7011. (Working Days & Hours: Tue to Sat 11 am to 7 pm) **KOLKATA (Jeevandeep)** Tel: 22885700. **KOLKATA (Salt Lake City)** Tel: 23215949/7009. (Working Days & Hours: Tue to Sat 11 am to 7 pm) **KOLLAM** Tel: 3255000, 2762551/2. **KOTA** Tel: 2436981/2. **KOTTAYAM** Tel: 2304985, 2566136. **KUNNAMKULAM** Tel: 227980/82. **KURUKSHETRA** Tel: 4650360. **LONAVALA (CHF-Training Centre)** Tel: 273812, 273820. **LUCKNOW (Ashok Marg)** Tel: 3989123. **LUCKNOW (Aliganj)** Tel: 3263952, 2745249. **LUCKNOW (Gomti Nagar)** Tel.:2303770 **LUDHIANA (Pakhawal Road)** Tel: 2429856, 5025184 (Working Days & Hours: Mon To Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **LUDHIANA (Chandigarh Road)** Tel: 2680043/45. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **MADURAI** Tel: 2350715/6. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 2 pm) **MALAPPURAM** Tel: 2738873/4. **MANGALORE** Tel: 2445220, 2425948. (Working Days & Hours: Mon to Fri 10.45 am to 6 pm & Sat 10.45 am to 2.45 pm) **MARAIMALAI NAGAR** Tel: 27456430. **MARTHANDAM** Tel: 271744, 272744. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 2 pm) **MATHURA** Tel: 2420116/7. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **MEERUT** Tel: 4058793/4 (Working

Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **MAVELIKKARA** Tel: 2344411/2. **MEHSANA** Tel: 654001/02. (Working Days & Hours: Mon to Fri 10.30 am to 5.30 pm & Sat 10.30 am to 2 pm) **MOGA** Tel: 509020/21. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 2 pm) **MOHALI** Tel: 2220116, 2225774. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **MORADABAD** Tel: 2485100. **MUMBAI (Churchgate)** Tel: 61766000, 61766100. **MUMBAI (Andheri East)\*** Tel: 66636000. **MUMBAI (Andheri West)\*** Tel: 66636000. **MUMBAI (Andheri-Kurla Road)\*** Tel: 66636000. **MUMBAI (Bandra – Kurla Complex)\*** Tel: 26500951/52/53. **MUMBAI (Borivali - Ramdas Sutrale Marg)\*** Tel: 28937152/55, 28907153. **Mumbai [Borivali - L T Road (Deposits)]** Tel : 28937000/01. **MUMBAI (Chembur)\*** Tel: 25291188/8838. **Mumbai [Dadar (Investor Services Dept.)]** Tel: 24146267/68, 61413900 **MUMBAI [Ghatkopar (Deposits)]** Tel: 25011284 **Mumbai (Goregaon)** Tel: 67546111. **Mumbai (Goregaon – East)\*** Tel: 28497102/3/4/5. **MUMBAI (Lower Parel)** Tel: 66200000 (Working Days & Hours : Mon to Fri 11 am to 7 pm) **MUMBAI [Lower Parel (Credit Risk Management)]** Tel: 66113020. **MUMBAI (Malad)\*** Tel : 65990487/88/89/90 **MUMBAI (Mira Road)\*** Tel.: 65990265/66/67. **MUMBAI (Mulund)\*** Tel: 66636000. **MUMBAI [Parel (Deposits)]** Tel: 66113000. **MUMBAI (Vikhroli)\*** Tel: 25186624/5/6. **MUMBAI (Virar)\*** Tel: 3041063, 3041067. **AMBERNATH\*** Tel: 2603168/9. **BOISAR** Tel : 645433/35. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **DOMBIVALI\*** Tel: 2861473/4. **KALYAN\*** Tel: 2201580/3. **THANE (Gokhale Road)\*** Tel: 66636000. **THANE (Vikas Complex)\*** Tel: 25471568/70. **VASHI (Navi Mumbai)** Tel: 66636000. **KHARGHAR (Navi Mumbai)\*** Tel: 27746813/4/5/6/7. **KOPARKHAIRANE (Navi Mumbai)\*** Tel: 27550615/18. **SEAWOODS (Navi Mumbai)\*** Tel: 27718787/89. **NEW PANVEL\*** Tel: 65166242/3/4. **MUVATTUPUZHA** Tel: 2833533. **MYSORE** Tel: 2545614/5. (Working Days & Hours: Mon to Fri 10.45 am to 6 pm & Sat 10.45 am to 2.45 pm) **NAGERCOIL** Tel: 325500, 237192/93, 227044. (Working Days & Hours: Mon to Fri 11 am to 7 pm). **NAGPUR (Civil Line)** Tel: 2566000, 2527888, 2522123. **NAGPUR (Kadbi Chowk)** Tel: 2542918. (Working Days & Hours: Tue to Sat 10.00 am to 6.00 pm) **NAGPUR (Khamla Ring Road)** Tel: 2289220. (Working Days & Hours: Tue to Sat 10.00 am to 6.00 pm). **NASHIK (Sharanpur Link Road)** Tel: 6606000. **NASHIK (Indira Nagar)** Tel: 6611938, 6611939. **NASHIK (Panchavati)** Tel: 6452177, 2510055. **NASHIK ROAD** Tel: 2459924, 2459925. **NELLORE** Tel: 6624141. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **NEW DELHI (Munirka)** Tel: 41115111. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **NEW DELHI (Dwarka)** Tel: 45572405/06. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **NEW DELHI (Lodhi Road)** Tel: 24601574, 24643755. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **NEW DELHI (Netaji Subhash Place)** Tel: 47292032/33/34. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **NEW DELHI (Vikas Puri)** Tel: 28540989/90. **NEW DELHI (Cannaught Place)** Tel: 41514836. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **NOIDA** Tel: 4351299/302/303/304. (Working Days & Hours: Mon; 11 am to 2 pm & Tue to Sat 11 am to 7 pm) **NOIDA (Sector 62)** Tel: 2405501/02. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **PALAKKAD** Tel: 2536481/2. **PANCHKULA** Tel: 2556464/26. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **PATIALA** Tel: 2209273, 5002786. **PATHANKOT** Tel: 2230452/53. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **PATHANAMTHITTA** Tel: 2271372. **PATNA** Tel: 2502522/23. **PERINTHALMANNA** Tel: 222015, 227015. **PITHAMPUR** Tel: 4433333. **POLLACHI** Tel.: 221224-26. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1.30 pm) **PUDUCHERRY** Tel.: 2205421/31. **PUNE (University Road)** Tel: 25505000. **PUNE (Baner)** Tel: 66057077/78. **PUNE (Camp)** Tel: 26351738, 26348602. **PUNE (Chakan)** Tel: 278100/01 **PUNE (Chinchwad)** Tel: 27371736, 27370219. **PUNE (Hadapsar - Magarpatta City)** Tel: 26898395/412. **PUNE (Kothrud)** Tel: 25453592/3. **PUNE (Nagar Road)** Tel: 26699149. **PUNE (Sinhagad Road)** Tel: 24350084/24350151. **RAJAHMUNDRY** Tel: 6652828. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **RAIPUR** Tel : 4243100. **RAJKOT** Tel: 6641145/6/7/8. (Working Days & Hours: Mon to Fri 10 am to 6 pm & Sat 10 am to 1 pm) **RANCHI** Tel: 2331055, 2330823. **RATLAM** Tel: 4433333. **RATNAGIRI** Tel.: 224022/23. **REWARI** Tel: 221112/3. (Working Days & Hours: Mon to Sat 9.30 am to 5.30 pm) **ROHTAK** Tel: 255467/8/9. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 2 pm) **ROORKEE** Tel: 272211, 18604204222. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 2 pm) **ROPAR** Tel: 224986, 226986. **ROURKELA** Tel: 2401061/60. **RUDRAPUR** Tel: 244422, 606888, 18604204222. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 2 pm) **SAGAR** Tel: 4433333. (Working Days & Hours: Mon to Fri 9.30 am to 5.30 pm) **SALEM** Tel: 2314486/7. **SAHARANPUR** Tel: 2760200. **SANGLI** Tel: 2329892/3. **SATARA** Tel: 226400, 227901. **SIKAR** Tel: 270888, 271888 **SILIGURI** Tel: 2640716. **SHIMLA** Tel: 2626711. **SOLAPUR** Tel: 2316804/5. **SONEPAT** Tel: 4000032/33. **SRI GANGANAGAR** Tel: 2485900. **SURAT (Adajan)** Tel: 6711800.

**SURAT (Majura Gate)** Tel: 2479371, 2475954. **SURAT (City Light)** Tel: 2213201/2. **TIRUPATI** Tel: 6645831. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **THIRUVALLA** Tel: 2600051. **THIRUVANANTHAPURAM (Vazhuthacaud )** Tel: 3255000, 2325731. **THIRUVANANTHAPURAM (Technopark)** Tel: 2700701. (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 10 am to 2 pm). **THIRUVANANTHAPURAM (Kazhakuttam)** Tel : 2417708, 2417707. **THRISSUR** Tel: 2389790/1. **TIRUCHIRAPALLI** Tel: 2412744, 2414744. **TIRUNELVELI** Tel: 3255000, 2577822/833. (Working Days & Hours: Tue to Sat 11 am to 7 pm) **TIRUPPUR** Tel: 4242901/2 (Working Days & Hours: Mon to Fri 9.30 am to 5.15 pm & Sat 9.30 am to 1.30 pm) **TUTICORIN** Tel: 3255000, 2300707/807. (Working Days & Hours: Mon to Fri 11 am to 7 pm) **UDAIPUR** Tel: 5100840/50. **UJJAIN** Tel: 4433333. (Working Days & Hours: Mon to Fri 9.30 am to 5.30 pm) **VADODARA (Race Course)** Tel: 2308400, 2356397, 2320240. **VADODARA (Waghodia Road)** Tel: 2514164, 2512364. (Working Days & Hours: Mon to Fri 11 am to 7 pm) **VAPI** Tel: 2462573/93. **VARANASI** Tel: 2420485, 3254174. **VIJAYAWADA** Tel: 6633131. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **VISAKHAPATNAM** Tel: 6637689/90. (Working Days & Hours: Tue to Sat 10 am to 6 pm) **YAMUNA NAGAR** Tel: 320547. **YAVATMAL** Tel: 239941.

(Normal working days & Hours: Monday to Friday;  
9.30 am to 5.15 pm, except mentioned otherwise)

\* Working Days & Hours: Tuesday to Saturday; 11 am to 7 pm.  
(Ambarnath, Boisar, Kalyan, Thane, Vashi, Koparkhairane, Seawoods  
and New Panvel are listed under Mumbai).  
(As of March 31, 2014.)

**International office:**

**DUBAI** Tel: (009714) 3961825.

**LONDON** Tel: + 44 (0) 20 7872 5542/45/47/62.

**SINGAPORE** Tel: + 65 65367000.

## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.





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# HDFC's Network of Offices in India

(As of March 31, 2014)






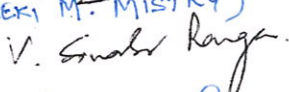
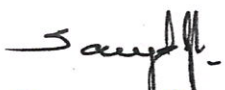

[www.hdfc.com](http://www.hdfc.com)



This annual report is printed on Eco-Friendly paper

## FORM A

**Covering letter to the Report dated May 6, 2014 issued by Deloitte Haskins & Sells LLP,  
Chartered Accountants, Statutory Auditors of the Corporation:**

1.	Name of the Company	Housing Development Finance Corporation Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> March 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	Signed by –  a) Chief Executive Officer;  b) Chief Financial Officer;  c) Auditor; and  d) Chairman of the Audit Committee	 (MR. KERI M. MISTRY)  (MR. V. SRINIVASA RANGAN)  (MR. SANJIV V. PILGAONKAR)  (DR. S. A. DAVE)

Place: Mumbai

Date: June 16, 2014.

## Business Responsibility Report

### PART A: COMPANY PROFILE

HDFC was incorporated in October 1977 as a public limited company specialising in providing housing finance primarily to individual households and corporates for the purchase and construction of residential housing. Prior to 1977, retail mortgage finance was unknown in India. There were no foreclosure norms, no credit bureau and no easy access to long-term finance in India. HDFC is India's first retail housing finance company and is currently one of the largest originators of housing loans in the country with cumulative loan disbursements of Rs. 5,48,553 crore. It has financed approximately 4.7 million homes.

HDFC group is considered as a financial conglomerate in India with presence in housing finance, banking, life and general insurance, asset management, venture capital and education loans. HDFC's key associate and subsidiary companies include HDFC Bank Limited, HDFC Standard Life Insurance Company Limited [HDFC Life], HDFC ERGO General Insurance Company Limited, HDFC Asset Management Company Limited, GRUH Finance Limited, HDFC Venture Capital Limited and Credila Financial Services Private Limited.

As part of its developmental initiatives, HDFC has promoted institutions in various fields including credit rating, consumer finance, leasing, infrastructure and IT-enabled services.

HDFC's distribution network spans 354 outlets, which include 87 offices of its distribution company, HDFC Sales Private Limited (HSPL). In addition, it covers several locations through outreach programmes. Distribution channels form an integral part of the distribution network of HDFC with home loans being

sourced through HSPL, HDFC Bank Limited and other third party direct selling associates. Credit, legal and technical checks are closely monitored in-house to ensure that the quality of loans given out is of the highest standards. HDFC has established offices in London, Dubai and Singapore and service associates in Kuwait, Oman, Qatar, Abu Dhabi and Saudi Arabia so that it can cater to the demands of non-resident Indians.

In January 2014, HDFC shifted its corporate office to HUL House, H. T. Parekh Marg, 165-166 Backbay Reclamation, Churchgate, Mumbai 400 020. However, its registered office shall continue to be situated at Ramon House, H. T. Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai 400 020. All contact details of HDFC remain unchanged.

HDFC is engaged in Housing Finance (NIC code: 65922) and its Corporate Identity Number (CIN) is L70100MH1977PLC019916.

HDFC's website is [www.hdfc.com](http://www.hdfc.com).

### PART B: FINANCIAL HIGHLIGHTS IN THE LAST FINANCIAL YEAR

The audited annual accounts of HDFC form part of its annual report. Further details on the financial information are given in the Directors' Report and the Management Discussion and Analysis Report which is part of the annual report. HDFC follows the financial year of April 1 to March 31 each year.

As on March 31, 2014, HDFC has 21 subsidiary companies and 3 step down subsidiaries.

Subsidiary companies

1. HDFC Developers Limited;
2. HDFC Investments Limited;
3. HDFC Holdings Limited;

4. HDFC Asset Management Company Limited;
5. HDFC Trustee Company Limited;
6. HDFC Realty Limited;
7. HDFC Standard Life Insurance Company Limited;
8. HDFC ERGO General Insurance Company Limited;
9. GRUH Finance Limited;
10. HDFC Sales Private Limited;
11. HDFC Ventures Trustee Company Limited;
12. HDFC Venture Capital Limited;
13. HDFC Property Ventures Limited;
14. Credila Financial Services Private Limited;
15. HDFC Education and Development Services Private Limited;
16. H T Parekh Foundation;
17. Windermere Properties Private Limited;
18. Grandeur Properties Private Limited;
19. Winchester Properties Private Limited;
20. Pentagon Properties Private Limited; and
21. Haddock Properties Private Limited.

Step-down subsidiary companies

1. HDFC Pension Management Company Limited;
2. Griha Investments, Mauritius; and
3. Griha Pte Limited, Singapore.

The said subsidiary companies have their own Business Responsibility (BR) initiatives and generally do not participate in the BR initiatives of HDFC.

### PART C: BUSINESS RESPONSIBILITY INFORMATION

Mr. Deepak S. Parekh is the non-executive Chairman of HDFC.

Mr. Keki M. Mistry, Vice Chairman & Chief Executive Officer, Ms. Renu Sud Karnad, Managing Director and Mr. V. Srinivasa Rangan, Executive Director are responsible for its day-to-day administration and operations. Brief profile of the Directors and the details of senior management are provided elsewhere in this annual report.

HDFC has prepared a Business Responsibility Report (BRR) based on the circular on 'Business Responsibility Reports' issued by the Securities and Exchange Board of India, in August 2012.

In the course of its operations over the years, HDFC has formulated various in-house policies and guidelines pertaining to the principles enunciated in this report. It has also formulated a comprehensive policy on Business Responsibility (BR) Reporting norms. Mr. V. Srinivasa Rangan, Executive Director will oversee the implementation of the BR policy. Mr. P. K. Bhalla, Head-Human Resources is the BR – Head and is assisted by a team having multi-disciplinary backgrounds. The BR policy will be reviewed periodically and the BRR will be uploaded on the website of HDFC, a physical copy of which will be made available to the shareholders on request.

The details of Mr. V. Srinivasa Rangan are listed below:

Sr. No.	Particulars	Details
1	DIN Number	00030248
2	Name	V. Srinivasa Rangan
3	Designation	Executive Director
4	Telephone Number	+91 22 2204 3692
5	E-mail	vsrangan@hdfc.com

Detailed information on each of the nine principles is provided hereunder:

## **Principle 1: Business should conduct and govern themselves with ethics, transparency and accountability**

### **Ethics**

Ethics, transparency and personal accountability form the core values of HDFC, which has a zero tolerance for bribery and corruption. HDFC strives to build and maintain relationships with its borrowers, depositors, agents, shareholders and other stakeholders in a fair and transparent manner. It always focuses on high standards of corporate governance in whatever it does. HDFC was the only Indian company to be included in the fifth annual list of the '2011 World's Most Ethical Companies' by the Ethisphere Institute, USA.

### **Code of Conduct**

HDFC has framed and adopted a Code of Conduct, which is approved by its Board of Directors. The Code is applicable to all its directors and senior management and is posted on HDFC's website. The Code provides for ethical, transparent and accountable behaviour by the directors and senior management of HDFC.

HDFC lays utmost importance on integrity whilst recruiting employees at all levels. The Employee Code of Conduct provides the framework within which HDFC expects its business operations to be carried out and lays down the standards and principles for all employees to follow. Failure to comply with the Code could lead to disciplinary action, including dismissal from the services of HDFC.

On the first day of employment, all new employees are handed over a copy of the Employee Code of Conduct as part of their joining kit. The said employees are expected to read and understand the contents mentioned therein and a signed acknowledgement is obtained

from each of the employees. HDFC constantly strives to communicate its values and guiding principles to its employees through various forums. To reinforce the importance of the Employee Code of Conduct, each day, one clause of the said Code is displayed on the main page of HDFC's Intranet. The objective behind doing so is to encourage all employees to refresh, understand and abide by the contents of the said Code, which serves as an ethical road map for them, whilst conducting business.

During the year 2013-14, the Employee Code of Conduct was amended and 4 additional points were added to the said Code. The additional points are as under:

1. Dealings with business associates;
2. Declaration of interest in any contract/ arrangement to be entered into by any relative/ acquaintance with HDFC;
3. Personal financial discipline; and
4. Participation on social networking sites.

HDFC has also formulated and adopted various other codes and policies including Fair Practices Code, Corporate Code of Disclosure Practices, Share Dealing Code, Know Your Customer and Prevention of Money Laundering Policy and Investment policy, in terms of laws applicable to its business. These codes and policies are applicable to all its employees/ directors for enforcement of ethical conduct from governance, regulatory and risk management perspective.

Monitoring adherence to the said codes and policies is carried out by the Policy Implementation & Process Monitoring department through internal audits.



### Stakeholder Complaints

HDFC categorises its stakeholders to include housing loan customers, depositors, shareholders and debenture holders. There is a separate mechanism in place for recording and redressing complaints raised by each of these stakeholders.

HDFC maintains a Customer Relationship Enhancement and Managing System (CREAMS), a centralised web-based software to record and redress the grievances/feedback of its home loan customers so as to ensure that standard operating procedures are adhered and high service standards are maintained for redressal of customer grievances. Details of the said mechanism are provided elsewhere in this report.

HDFC received a total of 10,705 complaints from its home loan customers and depositors during the year, out of which 129 complaints were outstanding as on March 31, 2014.

There was no complaint from investors that was unresolved as on April 1, 2013. During the year, HDFC received 11 investor complaints. All investor complaints were resolved and as such there was no unresolved investor complaint as on March 31, 2014.

HDFC submits a periodic status of complaints received, redressed and outstanding from its shareholders and depositors along with the nature of complaints and the mode of its redressal to the Investor Relations & Grievance Committee of Directors.

**Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle**

### Environmental Standards

Compliance with environmental

standards and sustainable environmental practices has limited relevance to HDFC's operations as it does not carry any manufacturing activity. The housing finance regulator, the National Housing Bank (NHB), prevents housing finance companies from directly undertaking any construction activity. However, a vigorous technical assessment of properties and projects financed by HDFC is a critical part of its approval and disbursement procedures.

HDFC believes in encouraging initiatives that work towards the conservation of its surrounding environment. It recognises the need to work with real estate developers that promote the use of innovative technologies such as green buildings for construction of houses. HDFC has always looked towards exploring opportunities of collaboration with partners in ensuring saving of energy and resources and encourages the usage of environmental friendly building materials from the local building centres as part of its low-income housing initiatives.

The loan documentation that HDFC enters into for all project finance with real estate developers has a clause mentioning that the construction will be as per guidelines of the National Building Code.

### Resource Savings

The interiors of HDFC's new corporate office building have been designed based on guidelines from the Leadership in Energy & Environmental Design Council (LEED). Some of the initiatives undertaken at the said office premises include various energy efficient measures, such as use of occupancy sensors, reduction of light power density by using LED light fittings, use of solar panels, provision of centralised waste collection, priority to use

environmental friendly materials with higher recycle content, such as green guard rated furniture and gives regional priority for purchases of such recycled products.

Special efforts have been made during the design stage of the said premises to ensure abundant natural light across the work area thereby reducing the electricity consumption. Efforts have also been made to enhance outdoor fresh air intake.

HDFC promotes the use of energy star equipments, uses systems that conserve the wastage of power and re-usage of stationery and paper, to help in minimising usage and wastage of paper at its corporate office premises.

HDFC also promotes the use of electronic means of communication with its depositors and shareholders by sending electronic communication for confirmation of payments and such other purposes. It also encourages the use of electronic mode of payment to and from all its stakeholders.

In an endeavour for quick and paperless services to its customers, HDFC introduced the use of kiosks at trade fairs and property exhibitions, which facilitate electronic filing of loan application forms and directly link the data of potential customers to its loan processing system.

**Principle 3: Businesses should promote the wellbeing of all employees**

### Equitable Employment

HDFC's employee strength as on March 31, 2014 was 1956. As at March 31, 2014, the male: female ratio was 77:23. HDFC has always advocated a business environment that favours the concept of equal employment opportunities for all without any discrimination with

respect to caste, creed, gender, race, religion, disability or sexual orientation. HDFC provides a workplace environment that is safe, hygienic, humane and which upholds the dignity of the employees. HDFC does not employ child labour directly or indirectly in any of its offices.

#### **Policies for Employee Grievances**

HDFC encourages a participative style of management and an open-door policy, wherein employees, irrespective of their hierarchy can walk into the offices of any of the senior executives and discuss issues or have their suggestions heard. HDFC does not have a recognised employee association.

Apart from all the existing channels of communication available to all employees, HDFC has joined the 'Corporate Whistleblower Initiative' (CWI) – a third party web-based reporting initiative aimed at facilitating secure and confidential information. The CWI portal, [www.cwiportal.com](http://www.cwiportal.com), provides employees a simple method of communicating their concerns. To protect the identity of the employee, the complaint can be logged anonymously.

To ensure that employees work in an environment without fear of prejudice and gender bias, HDFC has a policy on 'Prevention, Prohibition and Redressal of Sexual Harassment at the Work Place' and has constituted a 'Complaints Committee' to redress issues pertaining to sexual harassment of employees at the workplace.

During the year, the said committee has not received any complaint from any employee pertaining to sexual harassment, discriminatory employment, child labour or on any ethical issues.

#### **Employee Interaction**

With the intention of improvising the

accessibility to the management, HDFC has introduced a web-based portal called 'Idea Incubator Initiative' across branches to enable employees across all levels to share their ideas/suggestions regarding improvement of any of its function/ process or procedure. This portal allows employees to share their ideas directly with the Managing Director.

#### **Work-Life Balance**

HDFC policies are structured around promoting work-life balance which ensures improved employee productivity at work as well as enough time for family and personal life.

HDFC offers more than 20 fully furnished holiday homes for employees and their families who wish to take a holiday. They are located at various parts of the country from Mussoorie and Shimla in the North to Munnar in the South and from Daman in the West to Gopalpur in the East. Caretakers look after all the holiday homes and employees are assured of great holidays with their families.

HDFC also has active in-house clubs like the sports clubs, which organises sport events that include the families of the employees thus fostering an atmosphere of camaraderie. Branches organise local events, like picnics, outings, informal get-togethers, fancy dress contests, treasure hunts, etc. to build camaraderie and teamwork.

As a knowledge facilitator, HDFC has a fully equipped library, which can be accessed even by the branches through the intranet via the Open Public Access Catalogue. Besides, on a regular basis, the team also shares relevant news, articles and reports with all employees across offices. Employees also approach the library team to help source information on

any topic, while preparing reports or presentations. Smaller knowledge centres are also set-up in various branches for their local use.

#### **Development of Employees**

HDFC believes in the all-round development of its employees and sponsors self-development and leadership programmes to enhance employee effectiveness. Learning and development ensures that staff members are adequately trained in functional and behavioural skills to sustain high standards of service. Job specific knowledge gaps, skills and attitudes are identified during the performance appraisal process and through discussions with immediate superiors and managers.

Learning and development needs are also identified on the basis of internal audit reports as well as customer feedback. HDFC has recently initiated a competency mapping exercise for branch managers with the primary objective of identifying their learning needs. Based on the information available, an action plan for programmes and other developmental initiatives are being developed. These include on-the-job training, job rotation or training through various programmes – internal, external or international.

**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised**

#### **Shelter Assistance Reserve**

As a part of its social objectives, HDFC has been making consistent efforts over the years towards economic and social upliftment of the marginalised sections of society. The Shelter Assistance Reserve (SAR) was set up in 1988 as a multipurpose development fund to commemorate the completion of HDFC's first decade.

The SAR is capitalised on an annual basis by way of appropriation out of HDFC's annual profits and is primarily utilised for the provision of grants to non-government organisations (NGOs), community bodies and organisations. The use of the SAR covers the areas of education, child welfare programmes, causes of the disabled, health-care, vocational training and community development programmes. At appropriate times, the SAR is utilised towards providing relief and rehabilitation support to victims of calamities, both natural and man-made. HDFC has kept the scope of the SAR as wide as possible, which allows it to respond to different situations and challenges appropriately and flexibly. During the year, HDFC has disbursed Rs. 13.02 crores from the SAR. Further details are provided under Principle 8 herein below.

#### **H T Parekh Foundation**

HDFC has incorporated H T Parekh Foundation (Foundation) in the memory of Late Shri H. T. Parekh, founder chairman of HDFC. Shri H. T. Parekh was associated with several philanthropic causes and welfare organisations during his lifetime. The Foundation's goal is to initiate and/ or support programmes and projects that would bring about socio-economic equity and bridge the developmental gaps in the country. The Foundation's objective is to address issues of poverty, illiteracy, health care, protection of environment and national heritage monuments through strategic programme partnerships with accredited NGOs that meet the highest standards of performance and due-diligence.

During the year, the Foundation received the approval of the Ministry of Home Affairs, Government of India to accept contributions from HDFC, in terms of the provisions of Foreign

Contribution Regulation Act, 2010, as amended. The Foundation has also received approval under Section 12AA of the Income Tax Act, 1961 and has applied for registration under Section 80G(5) of the Income Tax Act, 1961. The said registration would enable contributors to the Foundation to claim appropriate tax exemptions under the said Act.

The Foundation will commence its activities shortly.

#### **Employee Participation**

Every year members of HDFC family run for various causes in marathons held at various locations in India to raise funds for various NGOs supported by HDFC.

HDFC employees have always contributed individually and as a group to those who have been marred by tragedies. During this year, HDFC employees voluntarily contributed a one-day salary or more to the Uttarakhand Chief Minister's Relief Fund, towards providing relief and respite to the victims in the flood-affected areas of Uttarakhand and to aid the surviving victims trodden in the said calamity. HDFC employees also participated in blood donation camps conducted at various locations in India.

#### **Principle 5: Businesses should respect and promote human rights**

##### **Human Rights**

HDFC complies and adheres to all the human rights laws, including those mentioned under the Constitution of India, other applicable laws and policies. HDFC treats all its stakeholders with dignity and also extends respect towards individual customers that are in arrears with their home loan repayments. HDFC takes care to be just, patient and understanding and has put in place an internal culture and work ethics

where delinquent customers are treated with fairness. Customers who have difficulty in being regular in repayment are counselled patiently by highly trained officers who attempt to make tailor made solutions for their needs. Any complaints and grievances pertaining to behavioural issues are attended to personally by senior officers.

#### **Contractual Staff**

HDFC has been outsourcing housekeeping, security and maintenance activities to contractual staff. Policy guidelines are issued to ensure compliance with the Payment of Minimum Wages Act 1948, Employees State Insurance Act, 1948 and the Provident Fund Act, 1952, as amended from time to time.

#### **Principle 6: Businesses should respect, protect, and make efforts to restore the environment**

##### **Green Initiatives**

HDFC promotes ecological sustainability and green initiatives such as recycling paper and other waste material and by having eco-recycle bins for electronic waste. Besides adopting energy saving mechanisms, employees are sensitised towards making efforts to reduce HDFC's carbon foot print.

##### **Carbon Emission**

A pilot study was conducted to map the carbon emission at HDFC's corporate office in Mumbai with an aim to compare the emission with a pre-determined benchmark and also look into initiatives to cap the emission. A social and environment audit NGO was appointed for this purpose. The study took into account 3 vital parameters for its pilot study – electricity consumption, domestic and international travel and paper consumption.

### Recycling

HDFC also hands over old but well maintained desktops to NGOs working to impart education to children from the underprivileged sections of society.

### Rural Housing

For rural housing, usage of asbestos sheets is not allowed – instead corrugated galvanised iron sheets are used. For low cost housing, HDFC encourages NGOs to procure environment friendly building materials for the local building centres. HDFC as a policy, finances only self-contained tenements and this requires that toilets/ sanitation is included within the housing unit, which leads to a cleaner environment and reduces health hazards at the villages.

### **Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

HDFC is a member of various chambers and associations such as:

1. Bombay Chambers of Commerce and Industry
2. Confederation of Indian Industry
3. Federation of Indian Chambers of Commerce and Industry
4. Indian Merchants' Chamber
5. International Union for Housing Finance
6. National Real Estate Development Council.

Representatives of HDFC are members of various committees of these industry bodies. HDFC has consulted these associations for the advancement and improvement of housing finance in India. Additionally at the branch level, HDFC is a member of local bodies and assists such bodies in formulating policies that affect local issues. HDFC recognises

that the housing and real estate industry plays an important role in the Indian economy as this industry is the second largest employment generator after agriculture. HDFC will continue to support and advocate for the further development of housing industry since HDFC's primary objective is to enhance residential housing stock in the country through the provision of housing finance in a systematic and professional manner and promote home ownership.

At the national level, HDFC executives have played a key role in formulating national housing policies and strategies. Recognising HDFC's expertise, the Government of India has invited HDFC's executives to join a number of committees and task forces related to financial sector reforms, housing finance, infrastructure development, capital markets and corporate governance.

H D F C makes various recommendations/ representations before regulators and associations regarding the new enactments that impact the housing finance industry and its business.

### **Principle 8: Businesses should support inclusive growth and equitable development**

Pursuant to Section 135 of the Companies Act, 2013 and the rules made there under, HDFC has taken effective steps to formulate a Corporate Social Responsibility (CSR) Committee of Directors which shall act in accordance with the CSR norms. As a committed corporate citizen, HDFC has always supported and undertaken various social welfare initiatives, some of which are mentioned here under:

#### **Education**

HDFC has supported numerous organisations that work in the area

of education (both formal and non-formal) and literacy programmes for street and slum children. The main focus of supporting these programmes is to ensure basic literacy, offer vocational training and manage teaching societies and balwadi centres (pre-school education to children in the age group of 3-5 years). HDFC has entered into partnerships with organisations such as Foundation for Education & Development, National Society for Clean Cities, Concern India Foundation and Save The Children India, amongst others.

#### **Sanitation**

The SAR at HDFC has been used to support sanitation and health-care initiatives, awareness programmes and provision of basic/ specialised medical facilities for the underprivileged sections of society. HDFC partnered with organisations such as SNEHA, Silence to Sound Movement, Education Audiology & Research Society and CREDAI Clean City Movement, amongst others.

#### **Community Development**

HDFC's social initiatives also cover the areas of women empowerment, rehabilitation of destitute women and prisoners, improving slum habitat and the provision of necessary amenities for the economically disadvantaged. Partnerships were made with organisations such as Shelter Associates, Borderless World Foundation, Janvikas Pratishthan and DEEDS, amongst others.

#### **Child Welfare**

HDFC has been especially compassionate and supportive of organisations that work in the area of rehabilitation of street children, or work with orphans and destitute children by trying to integrate them into mainstream society. HDFC partnered with an NGO for an



initiative on 'child sexual awareness' across municipal schools. HDFC also partnered with organisations such as Mobile Creches, Deep Griha Society, Nanhi Kali and CanKids, among others.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner**

**Customer Relationship Enhancement and Managing System (CREAMS)**

HDFC is committed to providing effective and prompt service to its customers and has in place, a software called CREAMS to record and redress the grievances/ feedback from its customers which helps in ensuring adherence to standard operating procedure and maintaining high service standards.

Under the CREAMS process, HDFC has identified senior personnel at all the branches, who are responsible for ensuring efficient and effective redressal of complaints within the prescribed turnaround times. All complaints are centrally monitored by the CREAMS management team. This process has an inbuilt escalation mechanism wherein complaints are escalated to the level of business heads, regional heads/ functional heads and the Managing Director.

Complaints forwarded by regulatory and supervisory authorities are tracked separately within CREAMS.

A grievance redressal procedure recommended by NHB is also available on HDFC's website for the benefit of its customers.

HDFC has also formulated Internal guidelines for its 'Recovery officers' in terms of the NHB circular dated July 14, 2008, which lays down in detail the decorum to be followed whilst approaching customers for recovery of loans and maintaining ethical conduct.

**Transparent Communication**

HDFC is a member of the Advertising Standard Council of India and encourages responsible and responsive communication towards all its stakeholders be it customers, media, investors, analysts, regulatory authorities, vendors and other stakeholders.

HDFC ascertains transparency and correctness of information in the advertising and promotions for its products and services. It propagates truthful and fair advertising and discourages all kinds of means and activities that are unethical, abusive or anti-competition. All the charges, benchmark interest rates and important notifications are posted on its website. HDFC has also formulated the Fair Practices Code, a copy of which is available on its website.

HDFC has complied with all advertising norms applicable to its business and

till date no complaint has been filed against it for irresponsible advertising.

The deposit application form also provides exhaustive detail of products being offered and other details relating to deposits. 'Deposit' section on HDFC's website contains more details relating to deposits.

The performance and financials of HDFC are disclosed to its various stakeholders and the public at large through annual report, advertisements (on a quarterly basis) and through its website.

In addition, HDFC also provides feedback mechanism on its website that allows stakeholders to post their grievances/ comments/ feedback/ questions on housing loans and deposits.

**PART D**

**Contacts**

The details of Mr. P. K. Bhalla are listed below:

Sr. No.	Particulars	Details
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MUMBAI  
May 6, 2014

V. Srinivasa Rangan  
Executive Director