

Annexure I

Disclosures to be provided along with the application for listing

1. Issuer details:

1.1. Details of the issuer:

(i)

Name	HSBC InvestDirect Financial Services (India) Limited
Address	9-11 Floor, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai – 400 063, Maharashtra, India
CIN	U67190MH1996PLC097473
PAN	AAACT3247R

(ii) Line of business: Non-Banking Finance Company (Lending against securities)

(iii) Chief Executive (Managing Director / President/ CEO / CFO)

Managing Director	Mr. Shantanu Shankar
Chief Financial Officer	Ms. Sunita Sarda

(iv) Group affiliation (if any): The Company is part of HSBC Group since 29th September 2008.

1.2. Details of the directors: As on 15th January 2023.

Sr. No.	Name, designation and DIN	Age	Address	Director since	List of other directorships
1	Mr. Shantanu Shankar Managing Director DIN: 08054929	13 January 1976 / 47 years	5/71 Kalpataru Estate, JV Link Road, Poonam Nagar Andheri East, Mumbai-400093	29 January 2018	1. HSBC InvestDirect (India) Private Limited 2. HSBC InvestDirect Sales and Marketing (India) Limited 3. HSBC InvestDirect Securities (India) Private Limited
2	Mr. Brij Bhushan Director DIN: 09288911	20 April 1977 / 45 years	B-603, Mahadev Towers Co. Op. Hsg. Thakur Complex, Kandival (East) Mumbai - 400101	19 January 2022	1. HSBC Securities and Capital Markets (India) Private Limited 2. HSBC InvestDirect (India) Private Limited 3. HSBC InvestDirect Securities (India) Private Limited 4. HSBC InvestDirect Sales & Marketing (India) Limited
3	Mrs. Payal Advani Director DIN: 09482109	20 November 1974 / 48 years	202, Mangal Kalyan, Rosebud Apts, Military Camp, Kalina, Santacruz (East), Mumbai – 400029	01 February 2022	HSBC InvestDirect Securities (India) Private Limited

HSBC InvestDirect Financial Services (India) Limited

Regd. Office: 9-11 Floor, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063. Toll Free No. 18002094477

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1.3 Details of change in directors in last three financial years (1 April 2019 to 31st March 2022) including any change in the current year: As of 15th January 2023.

Sr. No.	Name, designation and DIN	Date of appointment/resignation	Date of cessation (in case of resignation)	Remarks (viz. reasons for change etc.)
1	Deepak Sarup Director DIN: 09494760	09 February 2022	16 November 2022	Due to resignation
2	Mr. Madhur Malviya Director DIN: 07389724	27 June 2018	13 April 2022	Due to resignation
3	Mr. Butun Mohapatra Director DIN: 07977893	NA	6 September 2019	Due to resignation
4	Mr. Vipul Malkan Director DIN: 05158393	20 April 2017	01 April 2021	Due to resignation
5	Mr. Arvind Sethi Independent Director DIN : 00001565	30 March 2015	26 October 2021	Due to resignation
6	Mr. Brij Bhushan Additional Director DIN: 09288911	19 January 2022	NA	Due to appointment
7	Mrs. Payal Advani Additional Director DIN: 09482109	01 February 2022	NA	Due to appointment
8	Ms. Sharada Sangekar Chairperson DIN: 07788255	20 April 2017	8 February 2022	Due to resignation
9	Ms. Leena Gidwani Independent Director DIN: 06969243	30 March 2015	08 March 2022	Due to resignation

1.4. List of top 10 holders of equity shares of the Company as on 15th January 2023:

Sr.no	Name and category of shareholder	Total no. of equity shares	No. of shares in demat form	Total shareholding as % of total no. of equity shares
1	HSBC InvestDirect (India) Limited ("HIDL") *	14,62,84,720	Nil	100%

* Includes 70 Shares held by HIDL jointly with the employees of HSBC Group.

1.5. Details of the statutory auditor:

Name and address	Date of appointment	Remarks
Price Waterhouse Chartered Accountants LLP 52, Veer Savarkar Marg, Dadar (West), Shivaji Park, Mumbai	22 September 2020	Re-appointed as an Auditor at Annual General Meeting held on 22 September 2020 for a period of 5 years.

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1.6. Details of the change in statutory auditors in last three financial years including any change in the current year: **Price Waterhouse Chartered Accountants LLP were re-appointed at the Annual General Meeting (AGM) held on 22 September 2020 for another period of 5 years as the term of PWC was expiring at the AGM held in the year 2020.**

1.7. List of top 10 debt securities holders: **Currently, the Company does not have any outstanding debentures.**

1.8. List of top 10 CP holders as on date 15th January 2023:

Sr. No.	Name of CP holder	Category of CP holder	Face value of CP holding (Rs.)	CP holding percentage as a percentage of total CP outstanding of the issuer
1	Aditya Birla Sun Life Trustee Pvt. Ltd. A/c Aditya Birla Sun Life Money Manager Fund	Mutual Funds	5,00,000	7.00%
2	Tata Mutual Fund – Tata Treasury Advantage Fund	Mutual Funds	5,00,000	5.00%
3	Tata Mutual Fund – Tata Ultra Short Term Fund	Mutual Funds	5,00,000	5.00%
4	HDFC Trustee Company Ltd. A/C HDFC Liquid Fund	Mutual Funds	5,00,000	16.00%
5	Aditya Birla Sun Life Trustee Pvt. Ltd. A/c Aditya Birla Sun Life Liquid Fund	Mutual Funds	5,00,000	13.00%
6	DSP Ultra Short Fund	Mutual Funds	5,00,000	15.00%
7	HDFC Trustee Company Ltd. A/C HDFC Liquid Fund	Mutual Funds	5,00,000	5.00%
8	Aditya Birla Sun Life Trustee Pvt. Ltd. A/c Aditya Birla Sun Life Liquid Fund	Mutual Funds	5,00,000	7.00%
9	Aditya Birla Sun Life Trustee Pvt. Ltd. A/c Aditya Birla Sun Life Liquid Fund	Mutual Funds	5,00,000	10.00%
10	Aditya Birla Sun Life Trustee Pvt. Ltd. A/c Aditya Birla Sun Life Liquid Fund	Mutual Funds	5,00,000	10.00%
11	DSP Liquidity Fund	Mutual Funds	5,00,000	7.00%

2. Material Information: -

2.1. Details of all default/s and/or delay in payments of interest and principal of CPs, (including technical delay), debt securities, term loans, external commercial borrowings and other financial indebtedness including corporate guarantee issued in the past 5 financial years including in the current financial year. **NIL**

2.2. Ongoing and/or outstanding material litigation and regulatory strictures, if any. **NIL**

2.3. Any material event/ development having implications on the financials/credit quality including any material regulatory proceedings against the Issuer/promoters, tax litigations resulting in material liabilities, corporate restructuring event which may affect the issue or the investor's decision to invest / continue to invest in the CP. **NIL**

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3. Details of borrowings of the Company, as on the latest quarter end: As on 31st December 2022

3.1 Details of debt securities and CPs:

Series	ISIN	Tenor/ Period of Maturity	Coupon	Amount issued (Rs.)	Date of allotment	Redemption date / Schedule	Credit rating	Secured / Unsecured
HIFSL/2022/CP017	INE790I14CH5	63 days	7.30%	600,000,000.00	19-10-2022	21-12-2022	CRISIL Ltd. & India Ratings & Research	Unsecured
HIFSL/2022/CP018	INE790I14CI3	91 days	7.38%	800,000,000.00	21-10-2022	20-01-2023	CRISIL Ltd. & India Ratings & Research	Unsecured
HIFSL/2022/CP019	INE790I14CJ1	54 days	7.40%	650,000,000.00	02-11-2022	26-12-2022	CRISIL Ltd. & India Ratings & Research	Unsecured
HIFSL/2022/CP020	INE790I14CK9	91 days	7.60%	650,000,000.00	07-11-2022	06-02-2023	CRISIL Ltd. & India Ratings & Research	Unsecured
HIFSL/2022/CP021	INE790I14CL7	139 days	7.90%	750,000,000.00	29-11-2022	17-04-2023	CRISIL Ltd. & India Ratings & Research	Unsecured
HIFSL/2022/CP022	INE790I14CM5	90 days	7.40%	600,000,000.00	09-12-2022	09-03-2023	CRISIL Ltd. & India Ratings & Research	Unsecured
HIFSL/2022/CP023	INE790I14CN3	90 days	7.49%	500,000,000.00	21-12-2022	21-03-2023	CRISIL Ltd. & India Ratings & Research	Unsecured
HIFSL/2022/CP024	INE790I14CO1	147 days	8.05%	500,000,000.00	26-12-2022	22-05-2023	CRISIL Ltd. & India Ratings & Research	Unsecured

3.2. Details of secured/ unsecured loan facilities/ bank fund based facilities/ rest of the borrowing, if any, including hybrid debt like foreign currency convertible bonds (FCCB), optionally convertible debentures / preference shares from banks or financial institutions or financial creditors, as on last quarter end: 31st December 2022

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Lender's name/ Name of the Bank	Nature of facility/ instrument	Amount sanctioned (Rs.)	Principal Amount outstanding (Rs.)	Repayment date / schedule	Security, if applicable	Credit rating, if applicable	Asset classification
HDFC Bank Limited	Overdraft facility	38,00,00,000	9,25,66,965	Based on Fixed Deposit Maturity	Fixed Deposit	NA	Standard
The Hongkong & Shanghai Banking Corporation Limited	Cash Credit /Overdraft	250,000,000	NIL	One year however repayable on demand	NA	NA	Standard
The Hongkong & Shanghai Banking Corporation Limited	Working Capital Demand	500,000,000	NIL	One year however repayable on demand	NA	NA	Standard
IndusInd Bank	Long Term Committed Line of Credit	750,000,000	200,000,000	One year however repayable on demand	NA	NA	Standard
IndusInd Bank	Working Capital Demand Loan	100,000,000	NIL	One year however repayable on demand	NA	NA	Standard
HSBC InvestDirect (India) Limited	Line of Credit	2,000,000,000	162,00,00,000	Bullet repayment on maturity or at the option of the borrower	NA	NA	Standard

3.3. The amount of corporate guarantee or letter of comfort issued by the issuer along with name of the counterparty (like name of the subsidiary, JV entity, group company, etc.) on behalf of whom it has been issued, contingent liability including debt service reserve account (DSRA) guarantees/ any put option etc. **NIL**

4. Issue Information: -

4.1 Details of current tranche including ISIN, amount, date of issue, maturity, all credit ratings including unaccepted ratings, date of rating, name of credit rating agency, its validity period (details of credit rating letter issued not older than one month on the date of opening of the issue), details of issuing and paying agent and other conditions, if any.

Proposed Date of issue	20/01/2023	
Credit Rating for CP	CRA-1	CRA-2
Credit Rating	"CRISIL A1+"	"IND A1+"
Issued by	CRISIL Ltd.	India Ratings & Research Pvt. Ltd.
Date of Rating	13/01/2023	13/01/2023
Validity for Issuance	30 Days	30 Days
Validity period of Rating	21/04/2023	21/04/2023
Rating for Amount	1000 crs.	1000 crs.
Conditions (if any)	Standalone	
Exact Purpose of Issue of CP	Working Capital Purpose / Onward Lending / Repayment of Debt	

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Description of Instrument	Commercial Paper	
ISIN	INE790114CR4	
Issue Amount (Rs.)	INR.60,00,00,000/-	
Maturity Date	21/04/2023	
Amount (Discounted) (Rs.)	INR. 58,85,54,400/-	<u>Rupees Fifty Eight Crores Eighty Five Lakhs Fifty Four Thousand Four Hundred Only</u>
Issued by	HSBC InvestDirect Financial Services (India) Limited	
Issuing and Paying agent	HDFC Bank Limited. Treasury Operations (TROPS), Lodha - I Think Techno Campus, Building - Alpha, 4th Floor – Office, Near, Kanjur Marg Railway Station, Kanjur Marg (E), Mumbai - 400 042	

We do hereby declare that the credit ratings are valid as on the date of issuance and listing

4.2 CP borrowing limit, supporting board resolution for CP borrowing, details of CP issued during the last 15 months.

- The Board approved CP borrowing limit is Rs.1000 crore. The Board resolution dated 24th September 2019 for the same is attached as **Exhibit A**
- Details of CP issued during the last 15 months:

ISIN	ISSUE DATE	AMOUNT (Rs.)	MATURITY DATE	AMOUNT O/S (Rs.)	IPA	CRA	RATING	RATED AMOUNT (Crores)
INE790114BP0	27/09/2021	10,00,00,000	29/12/2021	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BQ8	11/11/2021	30,00,00,000	10/02/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BR6	31/01/2022	60,00,00,000	29/04/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BS4	08-02-2022	50,00,00,000	09-05-2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BT2	14-02-2022	40,00,00,000	23-06-2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BU0	15-03-2022	75,00,00,000	12-09-2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BV8	25-03-2022	60,00,00,000	24-06-2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BW6	22-04-2022	65,00,00,000	19-10-2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BX4	27/04/2022	110,00,00,000	27/07/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BY2	06/05/2022	45,00,00,000	02/11/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790114BZ9	12/05/2022	30,00,00,000	11/08/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000

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ISIN	ISSUE DATE	AMOUNT (Rs.)	MATURITY DATE	AMOUNT O/S (Rs.)	IPA	CRA	RATING	RATED AMOUNT (Crores)
INE790I14 CA0	23/06/2022	40,00,00,000	26/08/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CB8	26/07/2022	50,00,00,000	25/10/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CC6	10/08/2022	60,00,00,000	09/11/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CD4	26/08/2022	55,00,00,000	25/11/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CE2	09/09/2022	50,00,00,000	09/12/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CF9	09/09/2022	35,00,00,000	07/03/2022	35,00,00,000	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CG7	16/09/2022	50,00,00,000	03/03/2022	85,00,00,000	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CH5	19/10/2022	60,00,00,000	21/12/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CI3	21/10/2022	80,00,00,000	20/01/2023	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CJ1	02/11/2022	65,00,00,000	26/12/2022	Nil	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CK9	07/11/2022	65,00,00,000	06/02/2023	150,00,00,000	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CL7	29/11/2022	75,00,00,000	17/04/2023	225,00,00,000	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CM5	09/12/2022	60,00,00,000	09/03/2023	285,00,00,000	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CN3	21/12/2022	50,00,00,000	21/03/2023	335,00,00,000	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CO1	26/12/2022	50,00,00,000	22/05/2023	385,00,00,000	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CP8	10/01/2023	40,00,00,000	10/04/2023	425,00,00,000	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000
INE790I14 CQ6	19/01/2023	40,00,00,000	20/06/2023	465,00,00,000	HDFC Bank Ltd.	CRISIL Ltd. & India Ratings & Research	CRISIL Ltd. & India	1,000

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4.3 End-use of funds: Working Capital Purpose / Onward Lending / Repayment of Debt

4.4 Credit Support/enhancement (if any): Nil

- (i) Details of instrument, amount, guarantor company
- (ii) Copy of the executed guarantee
- (iii) Net worth of the guarantor company
- (iv) Names of companies to which guarantor has issued similar guarantee
- (v) Extent of the guarantee offered by the guarantor company
- (vi) Conditions under which the guarantee will be invoked

5. Financial Information: -

1.1 Audited / Limited review half yearly consolidated (wherever available) and standalone financial information (Profit & Loss statement, Balance Sheet and Cash Flow statement) along with auditor qualifications, if any, for last three years along with latest available financial results.

Financial Statements for the financial year 2021-2022, 2020-2021, 2019 -2020, Limited Review Financial results for the quarter ended June 2022 are attached as Exhibit B, B1, B2 and B3.

1.2 In case an issuer is required to prepare financial results for the purpose of consolidated financial results in terms of Regulation 33 of SEBI LODR Regulations, latest available quarterly financial results shall be filed.: Not applicable

1.3 Latest audited financials should not be older than six month from the date of application for listing. - Provided that listed issuers (who have already listed their specified securities and/or 'Non-convertible Debt Securities' (NCDs) and/or 'Non-Convertible Redeemable Preference Shares' (NCRPS)) who are in compliance with SEBI (Listing obligations and disclosure requirements) Regulations 2015 (hereinafter "SEBI LODR Regulations"), may file unaudited financials with limited review for the stub period in the current financial year, subject to making necessary disclosures in this regard including risk factors.

Limited Review Financial results for the half year ended Sep 2022 is attached as Exhibit B4.

6. Asset Liability Management (ALM) Disclosures:

6.1 NBFCs seeking to list their CPs shall make disclosures as specified for NBFCs in SEBI Circular nos. CIR/IMD/DF/12 /2014, dated June 17, 2014 and CIR/IMD/DF/ 6 /2015, dated September 15, 2015, as revised from time to time. Further, "Total assets under management", under para 1.a. of Annexure I of CIR/IMD/DF/ 6 /2015, dated September 15, 2015 shall also include details of off balance sheet assets.

1. Classification of loans/advances given to according to:

a. Type of loans -(As on 31 March 2022)

Sr. No.	Type of loans	Amount (In crore)
1	Secured	858.23
2	Unsecured	Nil
	Total assets under management (AUM) *	858.23

b. Sectoral Exposure – (As on 31 March 2022)

Sr. No.	Segment-wise break-up of AUM	Percentage of AUM
1	Retail	NA
a	- Mortgages (home loans and loans against property)	NA
b	- Gold loans	NA
c	- Vehicle finance	NA

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Sr. No.	Segment-wise break-up of AUM	Percentage of AUM
d	- MFI	NA
e	- M&SME	NA
f	- Capital market funding (loans against shares, margin funding)	80.53
g	- Others	Nil
2	Wholesale	
a	- Infrastructure	NA
b	- Real estate (including builder loans)	NA
c	- Promoter funding	19.47
d	- Any other sector (as applicable)	NA
e	- Others	NA
	Total	100.00

c. Denomination of loans outstanding by ticket size*: - (As on 31 March 2022)

Sr. No.	Ticket size **	Percentage of AUM
1	Upto Rs. 2 lakh	0.00
2	Rs. 2-5 lakh	0.00
3	Rs. 5-10 lakh	0.00
4	Rs. 10-25 lakh	0.15
5	Rs. 25-50 lakh	0.40
6	Rs. 50 lakh-1 crore	0.76
7	Rs. 1-5 crore	4.83
8	Rs. 5-25 crore	37.21
9	Rs. 25-100 crore	56.65
10	>Rs. 100 crore	0.00
	Total	100.00

* Information required at the borrower level (and not by loan account as a customer may have multiple loan accounts)

** Ticket size at the time of origination

d. Denomination of loans outstanding by LTV*: - (As on 31 March 2022)

Sr. No.	LTV	Percentage of AUM
1	Upto 40%	1.44
2	40-50%	85.94
3	50-60%	5.03
4	60-70%	0.03
5	70-80%	1.08
6	80-90%	6.48
7	>90%	0.00
	Total	100.00

*LTV at the time of origination

e. Geographical classification of borrowers - (As on 31 March 2022)

Sr. No.	Top 5 states	Percentage of AUM
1	Maharashtra	45.89
2	Delhi	39.02

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3	Uttar Pradesh	3.59
4	Andhra Pradesh	3.06
5	West Bengal	2.82
	Total	94.38

f. Aggregated exposure to the top 20 borrowers with respect to the concentration of advances, exposures to be disclosed in the manner as prescribed by RBI in its guidelines on Corporate Governance for NBFCs, from time to time.

a) Details of top 20 borrower with respect to concentration of Exposure (As on 31 March 2022-audited)-

Particulars	Amount (in Lakhs)
Total Exposure to twenty largest borrowers	81,700.00
Percentage of exposure to twenty largest borrowers to total exposure to our Company	56%

b) Details of top 20 borrower with respect to concentration of advances -(As on 31 March 2022 audited)

Particulars	Amount (in Lakhs)
Total Advances to twenty largest borrowers	62,825.74
Percentage of advances to twenty largest borrowers to total advances to our Company	73%

g. Details of loans overdue and classified as non-performing in accordance with the RBI's guidelines – (As on 31 March 2022-audited)

(1) Movement of gross NPA*	Amount
Opening gross NPA	Nil
- Additions during the year	Nil
- Reductions during the year	Nil
Closing balance of gross NPA	Nil

*Please indicate the gross NPA recognition policy (DPD)

(2) Movement of provisions for NPA	Amount
Opening balance	Nil
- Provisions during the year	Nil
- Write off / Write-back of excess provisions	Nil
Closing balance	Nil

h. Segment-wise gross NPA - (As on 31 March 2022)

S. No	Segment-wise gross NPA	Gross NPA (%)
1	Retail	Nil
a	- Mortgages (home loans and loans against property)	NA
b	- Gold loans	NA
c	- Vehicle finance	NA
d	- MFI	NA
e	- M&SME	NA
f	- Capital market funding (loans against shares, margin funding)	NIL
g	- Others	NIL
2	Wholesale	NIL
a	- Infrastructure	NA
b	- Real estate (including builder loans)	NA

HSBC InvestDirect Financial Services (India) Limited

Regd. Office: 9-11 Floor, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400063. Toll Free No. 18002094477

E-mail: nbfchelpdesk@hsbc.co.in, Web : www.hifsl.hsbc.co.in

CIN No. U67190MH1996PLC097473

c	- Promoter funding	NIL
d	- Any other sector (as applicable)	NA
e	- Others	NA
	Total	

2. Residual maturity profile of assets and liabilities (in line with the RBI format) as on 31 March 2022-audited:

(Amount in Rs. Crores)

	Up to 30/31 days	>1 month - 2 months	>2 months - 3 months	>3 months - 6 months	>6 months - 1 year	>1 years - 3 years	>3 years - 5 years	>5 years	Total
Deposit *	19.42	9.93	-	0	10.96	0	0	-	40.31
Advances	47.95	13.75	7.40	90.89	443.31	104.68	150.25		858.23
Investments	-	-	-	-	-	-	-	20.98	20.98
Borrowings	59.79	49.76	98.91	73.20			162.00		443.66
Foreign Currency assets	0	-	-	-	-	-	-	-	-
Foreign Currency liabilities	0	-	-	-	-	-	-	-	-

* Comprises Fixed Deposits

3. Any change in promoter's holdings in NBFCs during the last financial year beyond a particular threshold. At present, RBI has prescribed such a threshold level at 26%. The same threshold shall be applicable or as may be prescribed by RBI from time to time. **NIL**

4. Others

a. Lending policy: Should contain overview of origination, risk management, monitoring and collections – **Attached as Exhibit D**

b. Classification of loans/advances given to associates, entities/person relating to the board, senior management, promoters, others, etc.: **Nil –**

6.2 HFCs shall make disclosures as specified for NBFCs in SEBI Circular no. CIR/IMD/DF/ 6 /2015, dated September 15, 2015, as revised from time to time with appropriate modifications viz. retail housing loan, loan against property, wholesale loan - developer and others. **Not applicable**

For HSBC InvestDirect Financial Services (India) Limited

Ms. Farzana Doctor
Vice President Operations

Date: 20th January 2023

Place: Mumbai

HSBC InvestDirect Financial Services (India) Limited

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CIN No. U67190MH1996PLC097473

CERTIFIED TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING OF THE BOARD OF DIRECTORS OF HSBC INVESTDIRECT FINANCIAL SERVICES (INDIA) LIMITED (COMPANY) HELD ON 11 NOVEMBER 2022

REVISION IN AUTHORISED SIGNATORIES

"IT IS RESOLVED THAT in supersession of all the earlier resolutions passed by the Board of Directors and pursuant to provisions of Section 179, 180 and other applicable provisions, if any of the Companies Act, 2013 including Rules framed thereunder and any amendments/modifications thereto and the relevant provisions of the Articles of Association of the Company, Managing Director or Chief Financial Officer be and are hereby severally authorised to borrow, from time to time, from banks, financial institutions, mutual funds, asset management companies, insurance companies, individuals or corporate bodies in the form of commercial papers for the purpose of business activities on such terms and conditions as they may deem fit in the best interest of the Company PROVIDED THAT the total outstanding amount borrowed through commercial paper shall not exceed INR 10,000 million.

THAT any two of the following signatories be and are hereby jointly authorized in the manner given below to execute and / or sign any documents, agreements, undertakings and such other papers as may be required under the Common Seal of the Company, if required, in accordance with the provisions of the Articles of Association of the Company and that they be further authorised to do all such acts, deeds, matters and things as may be necessary, proper or desirable for the purpose of giving full effect to this resolution:

- (1) Directors of the Company
- (2) Chief Financial Officer
- (3) Chief Risk Officer
- (4) Company Secretary
- (5) Farzana Doctor
- (6) Vice President - Credit Risk
- (7) Shreeja Nair
- (8) Rajesh Ainkar
- (9) Manish Mishra
- (10) Jayesh Talreja
- (11) Akshat Tayal

For HSBC InvestDirect Financial Services (India) Limited



Sneha Doshi
Company Secretary
Membership No. ACS 18001
Date: 17 November 2022



Place: Mumbai

HSBC InvestDirect Financial Services (India) Limited

Regd. Office: 9-11 Floors, NESCO IT Park, Building No. 3, Western Express Highway, Goregaon (East), Mumbai - 400 063. Toll Free No: 18002094477.
E-mail: nbfchelpdesk@hsbc.co.in, Web : www.hifsl.hsbc.co.in
CIN No.: U67190MH1996PLC097473

**FINANCIAL STATEMENTS OF
HSBC INVESTDIRECT
FINANCIAL SERVICES (INDIA)
LIMITED
FOR THE FINANCIAL YEAR
2021-2022**

Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To
The Board of Directors
HSBC InvestDirect Financial Services (India) Limited,
9-11 Floors, NESCO IT Park,
Building No. 3, Western Express Highway,
Goregaon (East),
Mumbai - 400 063

Report on the Audit of the Financial Results

Opinion

1. We have audited the accompanying financial results of HSBC InvestDirect Financial Services (India) Limited (hereinafter referred to as "the NBFC") for the year ended March 31, 2022, attached herewith, the Statement of Assets and Liabilities as on that date and the Statement of Cash Flows for the year ended on that date (the "Financial Results") which are included in the accompanying Statement of Financial Results (the "Statement"), being submitted by the NBFC pursuant to the requirement of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
2. In our opinion and to the best of our information and according to the explanations given to us, the Financial Results:
 - i. are presented in accordance with the requirements of Regulation 52 of the Listing Regulations in this regard; and
 - ii. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable accounting standards prescribed under Section 133 of the Companies Act, 2013, the Reserve Bank of India (RBI) guidelines and other accounting principles generally accepted in India, of the net profit and other comprehensive income and other financial information for the year ended March 31, 2022 and also the Statement of Assets and Liabilities as at March 31, 2022 and the Statement of Cash Flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Companies Act, 2013 (the Act) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ("ICAI"). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Results' section of our report. We are independent of the NBFC in accordance with the Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the Financial Results, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Registered office and Head office: Sucheta Bhawan, 11A Vidya Digham Marg, New Delhi 110 002
Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAG-5001) with effect from July 25, 2014. Post its Conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/R500016 [ICAI registration number before conversion was 012754N]

Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on Audited Results

Board of Directors' Responsibilities for the Financial Results

4. These Financial Results have been compiled from the financial statements. The NBFC's Board of Directors are responsible for the preparation of these Financial Results that give a true and fair view of the net profit and other comprehensive income and other financial information, the Statement of Assets and Liabilities and the Statement of Cash Flows in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India ("RBI") from time to time ("RBI Guidelines") and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the NBFC and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Results that give a true and fair view and are free from material misstatement, whether due to fraud or error.
5. In preparing the Financial Results, the Board of Directors are responsible for assessing the NBFC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the NBFC or to cease operations, or has no realistic alternative but to do so.
6. The Board of Directors are also responsible for overseeing the NBFC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Results

7. Our objectives are to obtain reasonable assurance about whether the Financial Results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Results.
8. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the NBFC has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on Audited Results

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NBFC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NBFC to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the Financial Results, including the disclosures, and whether the financial results represent the underlying transactions and events in a manner that achieves fair presentation.
9. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

11. The Annual Financial Results include the results for the quarter ended March 31, 2022 being the balancing figures between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year, which are neither subject to limited review nor audited by us.
12. The Annual Financial Results dealt with by this report have been prepared for the express purpose of filing with stock exchange. These results are based on and should be read with the audited financial statements of the NBFC, for the year ended March 31, 2022 on which we have issued an unmodified audit opinion vide our report dated May 30, 2022.

Our opinion on the Financial Results is not modified in respect of above matters

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/ N500016

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Russell I Parera

Partner

Membership Number: 042190

UDIN: 22042190AJVRGT4482

Place: Mumbai

Date: May 30, 2022

HSBC InvestDirect Financial Services (India) Limited
Statement of Financial Results as at and for the year ended March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	Quarter ended			For the year ended	
	31-03-2022* (Unaudited)	31-12-2021 (Unaudited)	31-03-2021 (Unaudited)	31-03-2022 (Audited)	31-03-2021 (Audited)
Revenue from operations					
Interest income	119,477	99,431	108,252	416,123	460,329
Reversal of impairment on financial assets					5
Net gain on fair value changes	2,769	5,316	2,919	17,904	30,187
Total revenue from operations	122,246	104,747	111,171	433,427	490,521
Other income	16,261	2	2	16,286	8
Total Income	138,507	104,749	111,173	449,713	490,529
Expenses					
Finance costs	39,847	26,414	33,693	121,678	160,903
Impairment on financial assets	277	109	38	261	-
Employee benefits expenses	13,320	10,765	9,531	44,112	40,143
Depreciation and amortisation	707	598	219	1,996	1,112
Others expenses	11,663	21,851	18,423	52,252	49,546
Total expenses	65,819	59,767	61,896	220,509	251,709
Profit before tax	72,688	44,982	49,277	229,204	238,820
Income tax expense:					
- Current tax	14,079	13,474	10,998	55,000	60,396
- Deferred tax	464	(1,340)	690	594	350
- (Excess) provision for tax	(18,724)	-	-	(18,724)	-
Total tax expense	(4,182)	12,134	11,688	36,870	60,746
Profit for the period	76,870	32,848	37,589	192,334	178,074
Other comprehensive income					
i) Items that will not be reclassified to profit or loss					
- Remeasurements of post-employment benefit obligations	(606)	105	805	(295)	414
- Changes in the fair value of equity investments at FVOCI	17,057	-	-	17,057	-
ii) Income tax relating to items that will not be reclassified to profit or loss	152	(26)	(202)	74	(104)
Other comprehensive profit/(loss) for the period	16,603	79	603	16,836	310
Total comprehensive income for the period	93,473	32,927	38,192	209,170	178,384
Earnings per equity share (Nominal value of Rs. 10 per share)					
- Basic and Diluted (Rs.)	0.53	0.22	0.26	1.31	1.22

*Refer Note 4

HSBC InvestDirect Financial Services (India) Limited

Statement of Assets and Liabilities as at and for the year ended March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	As at March 31, 2022	As at March 31, 2021
ASSETS		
Financial assets		
Cash and cash equivalents	12,274	1,476
Bank balance other than cash and cash equivalents	403,202	405,313
Loans	8,581,427	5,967,056
Investments	209,799	110,080
Other financial assets	7,148	14,713
Non-financial assets		
Current tax assets (Net)	143,181	152,426
Deferred tax assets (Net)	2,110	2,630
Property, plant and equipment	4,351	3,564
Intangible assets under development	-	3,400
Intangible assets	3,527	-
Other non-financial assets	5,209	3,452
Total assets	9,372,228	6,664,110
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities		
Payables		
(I) Trade payables		
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	10,700	11,463
Debt securities	2,816,565	247,439
Borrowings (other than debt securities)	1,620,000	1,650,847
Other financial liabilities	856	9,638
Non-financial liabilities		
Current tax liabilities (Net)	-	15,311
Provisions	2,077	17,038
Other non-financial liabilities	3,093	2,607
EQUITY		
Equity share capital	1,462,847	1,462,847
Other equity	3,456,090	3,746,920
Total equity	4,918,937	4,709,767
Total liabilities and equity	9,372,228	6,664,110

HSBC InvestDirect Financial Services (India) Limited
Statement of cash flows for the year ended March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
CASH FLOW FROM OPERATING ACTIVITIES :		
Profit before tax:	229,204	238,820
Adjustments :		
Depreciation and amortisation	1,996	1,112
Impairment on financial assets	261	(5)
Interest expense on borrowings	99,101	115,113
Interest paid on borrowings	(99,101)	(115,113)
Interest expense on debt securities	19,860	45,092
Liability no longer required written back	(16,173)	-
Interest income on bank deposits	(19,278)	(21,683)
Unrealised gain on mutual fund	(144)	(42)
Realised gain on mutual fund	(17,160)	(30,145)
Operating profit before working capital changes	198,566	233,149
Adjustments for working capital changes:		
(Increase)/decrease in bank balance other than cash and cash equivalents	511	(555)
(Increase)/decrease in loans	(2,614,632)	52,643
Increase in other financial assets	7,565	140,016
(Increase)/decrease in other non financial assets	(1,257)	377
Adjustments for increase/ (decrease) in operating liabilities		
Trade payables	(763)	2,095
Other financial liabilities	(8,782)	8,844
Provisions	917	(1,185)
Other non financial liabilities	486	(20)
Cash generated from operations	(2,616,455)	202,216
Less : Income taxes paid (net of refunds)	(42,341)	(66,661)
Net cash inflow / (outflow) from operating activities	(2,460,230)	368,704
CASH FLOW FROM INVESTING ACTIVITIES :		
Placement of fixed deposit with bank	(138,400)	(231,600)
Proceeds from fixed deposit with bank	140,000	90,000
Interest income on bank deposits	19,278	21,683
Purchase of property, plant and equipment and intangible assets	(2,909)	(2,787)
Investment in mutual fund	(7,102,500)	(8,339,500)
Redemption of mutual fund	7,037,141	4,738,085
Net cash inflow / (outflow) from investing activities	(47,390)	1,275,881
CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Proceeds from issue of debt securities	3,199,265	1,182,025
Repayment of debt securities	(650,000)	(3,200,000)
Net cash inflow / (outflow) from financing activities	2,549,265	(2,017,975)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	41,645	(373,390)
Add : Cash and cash equivalents at beginning of the year	(29,371)	344,019
Cash and cash equivalents at end of the year	12,274	(29,371)

Reconciliation of cash and cash equivalents as per the cash flow statement.

Cash and cash equivalents as per above comprise of the following.

Particulars	As at March 31, 2022	As at March 31, 2021
Cash and cash equivalents	12,274	1,476
Bank overdrafts	-	(30,847)
Balances as per statement of cash flows	12,274	(29,371)

The above statement of cash flows has been prepared under the Indirect method as set out in Ind AS 7 on Statement of Cash Flows.

H5BC InvestDirect Financial Services (India) Limited
Statement of Financial Results as at and for the year ended March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Notes:

- 1 The above results have been prepared pursuant to the requirement of paragraph 1.2 of Annexure II of circular no. SEBI/HO/DDHS/DDHS/CR/P/2019/115 dated October 22, 2019 (as amended by circular no. SEBI/HO/DDHS/DDHS/CR/P/2019/157 dated December 24, 2019) and circular no. SEBI/HO/DDHS/CR/2021/000000037 dated October 05, 2021 issued by the Securities and Exchange Board of India ("SEBI"). The annual financial results have been prepared in accordance with and comply in all material aspect with Indian Accounting Standards (Ind AS) notified under section 133 of Companies Act, 2013 (the ACT) read with the companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other relevant provisions of the Act. The annual financial statements, used to prepare the financial results, are based on the notified Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies that are required to comply with Ind AS.
- 2 The above results have been reviewed and recommended for Board approval by the Audit Committee and approved and taken on record by the Board of Directors at the meeting held on May 30, 2022.
- 3 The spread of COVID-19 has severely impacted businesses around the globe. In many countries, including India, there has been severe disruption to regular business operations but now COVID-19 related situations are in control around the globe and economy is recovering gradually.

The Company is in the business of providing loans against securities and raising monies through borrowings. The Company has made an assessment of its liquidity position applying stress scenarios. The Company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements. The Company has further assessed the recoverability and carrying value of its assets comprising loans and advances, investments, fixed assets, other receivables as at balance sheet date, and has concluded that there are no material adjustments required in the financial statements. However, due to impact of COVID-19 disruptions, the Company will continue to monitor any material changes to future economic conditions.
- 4 The figures for the quarter ended March 31, 2022 are the balancing figures between audited figures for the year ended March 31, 2022 and the unaudited published figures for nine months ended December 31, 2021 which were subject to limited review by the Statutory Auditor.
- 5 The Company is primarily engaged in the business of financing and there are no separate reportable segments identified as per the Ind AS 108 - Segment Reporting.
- 6 Figures for the previous period/year have been regrouped wherever necessary to confirm to current period/year presentation.

For and on behalf of the Board of Directors of
H5BC InvestDirect Financial Services (India) Limited

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Date: 2022.05.30
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Shantanu Shankar
Managing Director
(DIN: 68054029)

We, Price Waterhouse Chartered Accountants LLP, have signed this statement for identification purposes only and this Statement should be read in conjunction with our report dated May 30, 2022.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

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Date: 2022.05.30
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Russell I Parera
Partner
Membership No: 042190

Mumbai
May 30, 2022

Price Waterhouse Chartered Accountants LLP

Independent Auditors' Report

To the Members of HSBC InvestDirect Financial Services (India) Limited

Report on the Audit of the financial statements

Opinion

1. We have audited the accompanying financial statements of HSBC InvestDirect Financial Services (India) Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2022, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, and total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Other Information

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited

Report on audit of the Financial Statements

Page 2 of 4

Responsibilities of management and those charged with governance for the financial statements

5. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and statement of cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

7. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
8. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited

Report on audit of the Financial Statements

Page 3 of 4

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
9. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

11. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
12. As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position.

Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited

Report on audit of the Financial Statements

Page 4 of 4

- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts— Refer Note 5 and 36.1 to the financial statements; The Company did not have any derivative contracts as at March 31, 2022.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2022.
 - iv. (a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries (Refer Note 40. A to the financial statements);
(b) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries (Refer Note 40. B to the financial statements); and
(c) Based on such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
 - v. The Company has not declared or paid any dividend during the year.
13. During the year ended March 31, 2022 the Company has not paid/provided any managerial remuneration under the provisions of Section 197 read with Schedule V of the Act. Accordingly, reporting under Section 197(16) of the Act is not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

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Russell I Parera

Partner

Membership Number: 042190

UDIN: 22042190AJVREA7708

Mumbai

May 30, 2022

Price Waterhouse Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements for the year ended March 31, 2022

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of HSBC InvestDirect Financial Services (India) Limited ("the Company") as of March 31, 2022 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Price Waterhouse Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements for the year ended March 31, 2022

Meaning of Internal Financial Controls with reference to financial statements

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

Inherent Limitations of Internal Financial Controls with reference to financial statements

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

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

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Russell I Parera
Partner
Membership Number: 042190

UDIN: 22042190AJVREA7708
Mumbai
May 30, 2022

Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2022

- i. (a) (A) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of Property, Plant and Equipment.
(B) The Company is maintaining proper records showing full particulars of Intangible Assets.
- (b) The Property, Plant and Equipment of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
- (c) The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee), as disclosed in Note 9 to the financial statements, are held in the name of the Company.
- (d) The Company has chosen cost model for its Property, Plant and Equipment (including Right of Use assets) and intangible assets. Consequently, the question of our commenting on whether the revaluation is based on the valuation by a Registered Valuer, or specifying the amount of change, if the change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment (including Right of Use assets) or intangible assets does not arise.
- (e) Based on the information and explanations furnished to us, no proceedings have been initiated on (or) are pending against the Company for holding benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) (formerly the Benami Transactions (Prohibition) Act, 1988 (45 of 1988)) and Rules made thereunder, and therefore the question of our commenting on whether the Company has appropriately disclosed the details in its financial statements does not arise.
- ii. (a) The Company is in the business of rendering services and, consequently, does not hold any inventory. Therefore, the provisions of clause 3(ii)(a) of the Order are not applicable to the Company.
(b) During the year, the Company has been sanctioned working capital limits in excess of Rs. 5 crores, in aggregate, from bank on the basis of security of current assets. The Company is not required to file quarterly returns or statements with such bank and accordingly, the question of our commenting on whether these returns or statements are in agreement with the unaudited books of account of the Company does not arise.
- iii. (a) The Company's principal business is to give loans and it is registered with Reserve Bank of India (RBI) under section 45-IA as a non-banking financial company. Accordingly, the provisions of clause 3(iii)(a) of the Order are not applicable to the Company.
(b) Based on our examination and the information and explanations given to us, in respect of the loans in our opinion, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.
(c) In respect of loans, the schedule of repayment of principal and payment of interest has been stipulated by the Company. Considering that the Company is a non-banking financial company engaged in the business of granting loans to customers for loans against shares (LAS), the entity-wise details of the amount, due date for payment and extent of delay (that has been suggested in the Guidance Note on CARO 2020 issued by the Institute of Chartered Accountants of India for reporting under this clause) have not been reported because it is not practicable to furnish such details owing to the voluminous nature of data

Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2022

generated in the normal course of the Company's business. Further, except for the instances where there are delays or defaults in repayment of principal and/or interest and in respect of which the Company has recognised necessary provisions in accordance with the principles of Indian Accounting Standards (Ind AS) and the guidelines issued by the Reserve Bank of India ("RBI") for Income Recognition and Asset Classification (which has been disclosed by the Company in Note 42 to the financial statements); the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest, as applicable.

(d) In respect of the loans, there are no amounts which are overdue for more than ninety days.

(e) The Company's principal business is to give loans and it is registered with Reserve Bank of India (RBI) under section 45-1A as a non-banking financial company. Accordingly, the provisions of clause 3(iii)(e) of the Order are not applicable to the Company.

(f) The loans granted during the year had stipulated the scheduled repayment of principal and payment of interest and the same were not repayable on demand. Further, no loans or advances in nature of loans were granted during the year to Promoters, related parties as defined in clause (76) of section 2 of the Act.

- iv. The Company has not granted any loans or provided any guarantee or security in connection with any loan taken by parties covered under section 185. Therefore, the provisions of section 185 are not applicable to the Company. The Company is registered as Non-Banking Financial Company with the Reserve Bank of India. Therefore, the provisions of Section 186, except subsection (1) of Section 186, of the Act are not applicable to the Company. Further, the Company has not made any investment to the parties covered under Section 186 of the Companies Act, 2013 and accordingly the provisions of Clause 3(iv) of the said Order in respect of Section 186(1) is not applicable.
- v. The Company has not accepted any deposits or amounts which are deemed to be deposits within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including goods and services tax, provident fund, income tax, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. Also, refer note 29 to the financial statements regarding management's assessment on certain matters relating to provident fund.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues referred to in sub-clause (a) which have not been deposited on account of any dispute.
- viii. According to the information and explanations given to us and the records of the Company examined by us, there are no transactions in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.

Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2022

- ix. (a) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest to any lender during the year.
- (b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared Wilful Defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained. (Also refer Note 14 to the financial statements)
- (d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) According to the information and explanations given to us and procedures performed by us, we report that the Company did not have any subsidiaries, joint ventures or associate companies during the year.
- (f) According to the information and explanations given to us and procedures performed by us, we report that the Company did not have any subsidiaries, joint ventures or associate companies during the year.
- x. (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the reporting under clause 3(x)(a) of the Order is not applicable to the Company.
- (b) The Company has not made any preferential allotment or private placement of shares or fully or partially or optionally convertible debentures during the year. Accordingly, the reporting under clause 3(x)(b) of the Order is not applicable to the Company.
- xi. (a) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.
- (b) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, a report under Section 143(12) of the Act, in Form ADT-4, as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 was not required to be filed with the Central Government. Accordingly, the reporting under clause 3(xi)(b) of the Order is not applicable to the Company.
- (c) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, and as represented to us by the management, no whistle-blower complaints have been received during the year by the Company. Accordingly, the reporting under clause 3(xi)(c) of the Order is not applicable to the Company.

Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2022

- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the reporting under clause 3(xii) of the Order is not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard 24 "Related Party Disclosures specified under Section 133 of the Act.
- xiv. (a) In our opinion and according to the information and explanation given to us, the Company has an internal audit system commensurate with the size and nature of its business.
(b) The reports of the Internal Auditor for the period under audit have been considered by us.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the reporting on compliance with the provisions of Section 192 of the Act under clause 3(xv) of the Order is not applicable to the Company.
- xvi. (a) The Company is required to and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a Non Banking Financial Company – Investment and Credit Company (NBFC -ICC).
(b) The Company has conducted non-banking financial activities during the year and the Company holds a valid Certificate of Registration from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.
(c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, the reporting under clause 3(xvi)(c) of the Order is not applicable to the Company.
(d) Based on the information and explanations provided by the management of the Company, the Group has one CIC as part of the Group as detailed in note 39 to the financial statements. We have not, however, separately evaluated whether the information provided by the management is accurate and complete.
- xvii. The Company has not incurred any cash losses in the financial year or in the immediately preceding financial year
- xviii. There has been no resignation of the statutory auditors during the year and accordingly the reporting under clause (xviii) is not applicable.
- xix. According to the information and explanations given to us and on the basis of the financial ratios (Also refer Note 43 to the financial statements), ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor

Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2022

any assurance that all liabilities falling due within a period of one year from the balance sheet date will get discharged by the Company as and when they fall due.

- xx. As at balance sheet date, the Company does not have any amount remaining unspent under Section 135(5) of the Act. Accordingly, reporting under clause 3(xx) of the Order is not applicable
- xxi. The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of Standalone Financial Statements. Accordingly, no comment in respect of the said clause has been included in this report.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

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Russell I Parera
Partner

Membership Number 042190

UDIN: 22042190AJVREA7708

Mumbai
May 30, 2022

HSBC InvestDirect Financial Services (India) Limited.
Balance sheet as at March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	As at March 31, 2022	As at March 31, 2021
ASSETS			
Financial assets			
Cash and cash equivalents	3	12,274	1,476
Bank balance other than cash and cash equivalents	4	403,202	405,313
Loans	5	8,581,427	5,967,056
Investments	6	209,799	110,080
Other financial assets	7	7,148	14,713
Non-financial assets			
Current tax assets (Net)	8	143,181	152,426
Deferred tax assets (Net)	18	2,110	2,630
Property, plant and equipment	9	4,351	3,564
Intangible assets under development	10	-	3,400
Intangible assets	10	3,527	-
Other non-financial assets	11	5,209	3,452
Total assets		9,372,228	6,664,110
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables	12		
(i) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		10,700	11,463
Debt securities	13	2,815,565	247,439
Borrowings (other than debt securities)	14	1,620,000	1,650,847
Other financial liabilities	15	856	9,638
Non-financial liabilities			
Current tax liabilities (Net)	16	-	15,311
Provisions	17	2,077	17,038
Other non-financial liabilities	19	3,093	2,607
EQUITY			
Equity share capital	20	1,462,847	1,462,847
Other equity	21	3,456,090	3,246,920
Total equity		4,918,937	4,709,767
Total liabilities and equity		9,372,228	6,664,110

The above balance sheet should be read in conjunction with the accompanying notes.
This is the balance sheet referred to in our report of even date.

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For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

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IVAN PARERA

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Russell I Parera
Partner
Membership No: 042190

Mumbai
May 30, 2022

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Deepak Sarup
Chairperson
(DIN 09494760)

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Sunita Sarde
Chief Financial Officer

Mumbai
May 30, 2022

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Shantanu Shankar
Managing Director
(DIN 08054929)

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Sneha Doshi
Company Secretary

HSBC InvestDirect Financial Services (India) Limited
Statement of Profit and Loss for the year ended March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	Mar 31, 2022	Mar 31, 2021
Revenue from operations			
Interest income	22(a)	416,123	460,329
Reversal of impairment on financial assets	25	-	5
Net gain on fair value changes	22(b)	17,304	30,187
Total revenue from operations		433,427	490,521
Other income	23	16,286	8
Total income		449,713	490,529
Expenses			
Finance costs	24	121,878	160,908
Impairment on financial assets	25	261	-
Employee benefits expenses	26	44,112	40,143
Depreciation and amortisation	9 & 10	1,996	1,112
Others expenses	27	52,262	49,546
Total expenses		220,509	251,709
Profit before tax		229,204	238,820
Income tax expense:			
- Current tax	28	55,000	60,396
- Deferred tax	28	594	350
-(Excess) provision for tax		(18,724)	-
Total tax expense		36,870	60,746
Profit for the year		192,334	178,074
Other comprehensive income			
i) Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations	30	(295)	414
- Changes in the fair value of equity investments at FVOCI		17,057	-
		74	(104)
ii) Income tax relating to items that will not be reclassified to profit or loss			
Other comprehensive profit/(loss) for the year		16,836	310
Total comprehensive income for the year		209,170	178,384
Earnings per equity share (Nominal value of Rs. 10 per share)			
- Basic and Diluted (Rs.)		1.31	1.22

The above statement of profit and loss should be read in conjunction with the accompanying notes.

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This is the Statement of Profit and Loss referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

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Russell I Parera
Partner
Membership No: 042190

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Deepak Sarup
Chairperson
(DIN 09494760)

**SHANTANU
SHANKAR**
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Date: 2022.05.30
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Shantanu Shankar
Managing Director
(DIN 08054925)

Mumbai
May 30, 2022

**SUNITA
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Sunita Sarada
Chief Financial Officer

**SNEHA
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DOSHI**
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Sneha Doshi
Company Secretary

Mumbai
May 30, 2022

HSBC InvestDirect Financial Services (India) Limited
Statement of changes in equity as at March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

A: Equity share capital

1) For the year ended March 31, 2022

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period
1,462,847	-	-	-	1,462,847

2) For the year ended March 31, 2021

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period
1,462,847	-	-	-	1,462,847

B: Other Equity

1) For the year ended March 31, 2022

	Reserves and Surplus						Total
	Securities Premium	General Reserve	Statutory reserve	Impairment reserve	Retained Earnings	Equity Instruments through Other Comprehensive Income	
As at April 1, 2021	1,934,680	17,000	427,350	24,507	843,383	-	3,246,920
Total income for the current year	-	-	-	-	192,334	-	192,334
Remeasurements of post-employment benefit obligation, net of tax	-	-	-	-	(221)	-	(221)
Changes in Fair Value of Equity Instruments through Other Comprehensive Income	-	-	-	-	-	17,057	17,057
Transfer to retained earnings	-	-	-	8,964	(8,964)	-	-
Transfer to Special Reserve under section 45-1C of the RBI Act	-	-	38,467	-	(38,467)	-	-
As at March 31, 2022	1,934,680	17,000	465,817	33,471	988,065	17,057	3,456,090

2) For the year ended March 31, 2021

	Reserves and Surplus						Total
	Securities Premium	General Reserve	Statutory reserve	Impairment reserve	Retained Earnings	Equity Instruments through Other	
As at April 1, 2020	1,934,680	17,000	391,736	23,479	701,641	-	3,068,536
Total Comprehensive Income for the current year	-	-	-	-	178,384	-	178,384
Transfer to retained earnings	-	-	-	1,028	(1,028)	-	-
Transfer to Special Reserve under section 45-1C of the RBI Act	-	-	35,614	-	(35,614)	-	-
As at March 31, 2021	1,934,680	17,000	427,350	24,507	843,383	-	3,246,920

The above statement of changes in equity should be read in conjunction with the accompanying notes.
This is the Statement of changes in equity referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP

Firm Registration No: 012754N/NS00016

RUSSELL
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RUSSELL IVAN
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Russell I Parera
Partner
Membership No: 042190

Mumbai
May 30, 2022

For and on behalf of the Board of Directors of,
HSBC InvestDirect Financial Services (India) Limited

DEEPAK
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SARUP
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Deepak Sarup
Chairperson
(DIN 09494760)

SUNITA
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Sunita Sarda
Chief Financial Officer

Mumbai
May 30, 2022

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Shantanu Shankar
Managing Director
(DIN 08054929)

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Sneha Doshi
Company Secretary

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	March 31, 2022	March 31, 2021
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before tax:		229,204	238,820
Adjustments:			
Depreciation and amortisation	9 & 10	1,996	1,112
Impairment on financial assets	25	261	(5)
Interest expense on borrowings	24	99,101	115,113
Interest paid on borrowings	24	(99,101)	(115,113)
Interest expense on debt securities	24	19,860	45,092
Liability no longer required written back	17	(16,173)	
Interest income on bank deposits	22(a)	(19,278)	(21,693)
Unrealised gain on mutual fund	22(b)	(144)	(42)
Realised gain on mutual fund	22(b)	(17,160)	(30,145)
Operating profit before working capital changes		198,566	233,149
Adjustments for working capital changes:			
(Increase)/decrease in bank balance other than cash and cash equivalents	4	511	(555)
(Increase)/decrease in loans	5	(2,614,632)	52,643
Increase in other financial assets	7	7,565	140,016
(Increase)/decrease in other non financial assets	11	(1,757)	377
Adjustments for increase/ (decrease) in operating liabilities:			
Trade payables	12	(763)	2,095
Other financial liabilities	15	(8,732)	8,844
Provisions	17	917	(1,165)
Other non financial liabilities	19	486	(20)
Cash generated from operations		(2,615,455)	202,716
Less: Income taxes paid (net of refunds)		(42,341)	(66,661)
Net cash inflow / (outflow) from operating activities		(2,460,230)	368,704
CASH FLOW FROM INVESTING ACTIVITIES:			
Placement of fixed deposit with bank	4	(138,400)	(231,600)
Proceeds from fixed deposit with bank	4	140,000	90,000
Interest income on bank deposits	22(a)	19,278	21,693
Purchase of property, plant and equipment and intangible assets	9 & 10	(2,969)	(2,787)
Investment in mutual fund	6	(7,102,509)	(3,339,500)
Redemption of mutual fund	6	7,037,141	4,733,085
Net cash inflow / (outflow) from investing activities		(47,390)	1,275,881
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	14		
Repayment of borrowings	14		
Proceeds from issue of debt securities	13	5,199,265	1,182,025
Repayment of debt securities	13	(650,000)	(3,200,000)
Net cash inflow / (outflow) from financing activities		2,549,265	(2,017,975)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		41,645	(373,390)
Add: Cash and cash equivalents at beginning of the year		(29,371)	344,019
Cash and cash equivalents at end of the year		12,274	(29,371)

Reconciliation of cash and cash equivalents as per the cash flow statement
Cash and cash equivalents as per above comprise of the following:

Particulars		As at March 31, 2022	As at March 31, 2021
Cash and cash equivalents	3	12,274	1,476
Bank overdrafts	14		(30,847)
Balances as per statement of cash flows		12,274	(29,371)

Notes:

- i) Amount spent in cash towards Corporate Social Responsibility is INR 6,122 (March 2021: 6,058)
- ii) Net debt reconciliation.

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented. Refer note 14.

Particulars	As at March 31, 2022	As at March 31, 2021
Cash and cash equivalents, bank overdrafts	12,274	(29,371)
Liquid investments	192,742	110,080
Debt securities - commercial paper	(2,816,365)	(247,439)
Borrowings - loans from related parties	(1,620,000)	(1,620,000)
Net debt	(4,231,549)	(1,786,730)

The above statement of cash flows should be read in conjunction with the accompanying notes.
The above statement of cash flows has been prepared under the indirect method as set out in Ind AS 7 on Statement of Cash Flows.
This is the statement of cash flows referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP

Firm Registration No: 012754N/N500016

RUSSELL
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Russell I Parera
Partner
Membership No: 042190

Mumbai
May 30, 2022

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

DEEPAK
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Deepak Sarup
Chairperson
(DIN 09494760)

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Sunita Sarada
Chief Financial Officer

Mumbai
May 30, 2022

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Shantanu Shankar
Managing Director
(DIN 08054929)

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Sneha Doshi
Company Secretary

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2022

1 Background

HSBC InvestDirect Financial Services (India) Limited ('HSFD' or the 'Company') is registered as a Non Banking Financial Company ('NBFC') (non-deposit accepting) as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934. The Company is a wholly owned subsidiary of HSBC InvestDirect (India) Limited.

The Company is domiciled in India and primarily engaged in the business of financing against securities including equity shares, bonds, mutual funds, sovereign bonds, Treasury bills and Government Securities. As per RBI circular dated February 22, 2019 on Harmonisation of different categories of NBFCs, the Company is classified as an Investment and Credit Company (NBFC - ICC). Prior to this circular, the Company was classified as a Loan Company.

2A. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

i) Basis of preparation

Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act), (Companies (Indian Accounting Standards) Rules, 2015), other relevant provisions of the Act and guidelines along with circulars issued by the RBI from time to time.

Historical cost convention

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

- certain financial assets and liabilities are measured at fair value; and
- defined benefit plans - plan assets are measured at fair value.

Recent Accounting Pronouncements

The Ministry of Corporate Affairs has vide notification dated 23 March 2022 notified Companies (Indian Accounting Standards) Amendment Rules, 2022 which amends certain accounting standards, and are effective 1 April 2022.

Ind AS 103 – Reference to Conceptual Framework – The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 16 – Property, plant and equipment – The amendment clarifies that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2022.

Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets – The amendment specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2022, although early adoption is permitted.

Ind AS 109 – Annual Improvements to Ind AS (2021) – The amendment clarifies which fees an entity includes when it applies the '10 percent' test of Ind AS 109 in assessing whether to derecognise a financial liability.

Ind AS 106 – Annual Improvements to Ind AS (2021) – The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration.

These amendments are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Presentation

The Company is covered in the definition of Non-Banking Financial Company as defined in Companies (Indian Accounting Standards) (Amendment) Rules, 2015. The Company presents its financial statements in accordance with Division III of Schedule III to the Companies Act, 2013. A maturity analysis of recovery or settlement of assets and liabilities within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 34.

ii) Segment reporting

The Company's Chief Operating Decisions Maker (CODM), who has the ability to evaluate performance and allocates resources, is the Managing Director (MD). In a manner consistent with the internal reporting provided to the MD for corporate planning, there are no separate reportable segments (including geographical segments).

iii) Property, plant and equipment

Freehold land is carried at historical cost. Items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value

Depreciation on the following assets has been based on the management's estimate of useful life/remaining useful life. The residual values are not more than 5% of the original cost of the asset.

(a) W.e.f September 2020, assets each costing INR 55000 or less are depreciated at 100% in the year of capitalisation.

(b) Useful life of other assets is estimated as under:

Category of assets	FY 2021-22	
	Useful lives followed by company (years)	Useful lives prescribed in Schedule II (years)
Office Equipments	5	5
Data Processing Equipments – Laptop	4	3
Data Processing Equipments – Servers	5	6

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

iv) Intangible assets:

Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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

Amortisation methods and periods:

The company amortizes intangible assets using the straight-line method over the following periods:

Category of assets	Useful lives followed by company (years)
Computer Softwares	3 years or license life

v) Investments & other financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

1. those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and;
2. those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

For investments in debt instruments, this will depend on the classification of debt instruments depending on:

- (i) the Company's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset (solely payments of principal and interest).

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the asset's performance and the business model is evaluated and reported to key management personnel
- the risks that affect the performance of the business model and how these risks are assessed and managed

As a second step of its classification process the Company assesses the contractual terms of financial instrument to identify whether they meet the SPPI test, where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instrument's cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit and loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition

Regular way of purchase and sales of financial assets are recognised on trade date (the date on which the Company commits purchase or sale of financial asset).

(c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit and loss.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows or for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in statement of profit and loss.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in profit and loss.

Equity Instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversals of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial liabilities and equity instrument

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

Financial liabilities

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition of financial liabilities is also recognised in profit or loss. Undrawn loan commitments are not recorded in the balance sheet.

(d) Impairment of financial assets

The company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 36 details how the company determines whether there has been a significant increase in credit risk.

The company hold impairment allowances as required by Ind AS. The company also maintain the asset classification and compute provisions as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) including borrower/beneficiary wise classification, provisioning for standard as well as restructured assets, NPA ageing, etc. A comparison between provisions required under IRACP and impairment allowances made under Ind AS 109 should be disclosed by the company in note 40.

In line with the requirements of the Companies Act and RBI guidelines, an ECL policy is designed to assess and provide for impairment allowance on the credit exposures based on the projected 12 M expected loss model. The provisioning is dependent on the portfolio mix, nature of product ad loan impairments basis sound judgment and estimates. The policy broadly defines the methodology of the ECL model, its impact on the impairment provisioning and accounting treatment, its impact on the regulatory capital and ratios. The model compares the provisioning under the RBI prudential guidelines and standard asset provisioning guidelines to arrive at fair estimate of provisioning of impairment allowance.

(e) Derecognition

Financial assets

A financial asset is derecognised only when

1. The company has transferred the rights to receive cash flows from the financial asset or
2. retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the company has not retained control of the financial asset. Where the company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in profit and loss.

(f) Income recognition

Interest income

Interest income from financial assets at fair value through profit or loss is disclosed as interest income under revenue from operations. Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method is recognised in the statement of profit and loss under revenue from operations.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

v) Employee Benefits:

(a) Short-term obligations

Liabilities for salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as employee benefit obligations in the balance sheet.

(b) Post-employment obligations

The Company operates the following post-employment schemes:

- defined benefit plans such as gratuity and
- defined contribution plans such as provident fund.

(1) Defined benefit plans (Gratuity)

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(2) Provident fund

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.

(c) Bonus

The Company recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

vii) Income Tax:

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

viii) Cash and cash equivalents:

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in financial liabilities in the balance sheet.

ix) Special Reserve:

In accordance with section 45-IC of the RBI Act, 1934, the Company creates a reserve fund and transfers therein a sum not less than twenty percent of its net profit before any dividend is declared every year end, and is disclosed in the other equity.

x) Provisions and Contingent Liabilities:

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent Liabilities:

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or reliable estimate of the amount cannot be made, is termed and disclosed as contingent liability.

xi) Leases - as a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

xii) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

1. the profit attributable to owners of the company
2. by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

1. the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
2. the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

xiii) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and trade and other payables are presented as financial liabilities.

xiv) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

xv) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss as other gains/(losses).

xvi) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousands as per the requirement of Schedule III, unless otherwise stated.

2B Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- Estimation of current tax asset and current tax payable (refer Note 8 and 16)
- Estimation of defined benefit obligation (refer Note 20)
- Recognition of deferred tax assets/liabilities (refer Note 18)
- Estimation of expected credit losses (refer Note 35)
- Fair value of unquoted investments (refer Note 5)
- Estimation of provision for expense and levies (refer Note 12)

HSBC InvestDirect Financial Services (India) Limited

Notes to financial statements for the year ended March 31, 2022 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

3 Cash and cash equivalents

Particulars	As at March 31, 2022	As at March 31, 2021
Balances with banks in current account	12,274	1,476
Deposits with maturity less than 3 months	-	-
Total	12,274	1,476

4 Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2022	As at March 31, 2021
Deposits with maturity more than 3 months but less than 12 months (held as lien against overdraft from bank)*#	403,202	405,313
Total	403,202	405,313

* Includes accrued interest on deposit with bank for March 31, 2022: 3,202; March 31, 2021: 3,713

Includes deposits which are held as lien against bank overdraft. As at March 31, 2022: 400,000; As at March 31, 2021: 401,600

5 Loans (measured at amortised cost)

Particulars	As at March 31, 2022	As at March 31, 2021
Loans against securities*	8,582,285	5,967,653
Total (A) - Gross	8,582,285	5,967,653
(Less): Impairment loss allowance	(858)	(597)
Total (A) - Net	8,581,427	5,967,056
Secured by tangible assets (by way of pledge over securities)	8,582,285	5,967,653
Total (B) - Gross	8,582,285	5,967,653
(Less): Impairment loss allowance	(858)	(597)
Total (B) - Net	8,581,427	5,967,056
Loans in India		
- Public sector		
- Others	8,582,285	5,967,653
Total (C) - Gross	8,582,285	5,967,653
(Less): Impairment loss allowance	(858)	(597)
Total (C) - Net	8,581,427	5,967,056

* Includes interest accrued but not due for March 31, 2022: 34,181; March 31, 2021: 45,972

6 Investments

Particulars	Fair value through profit & loss	Fair value through other comprehensive income	Total
As at March 31, 2021			
Mutual Fund	110,080	-	110,080
-HSBC InvestDirect Securities (India) Private Limited	-	-	-
Total (A) - Gross	110,080	-	110,080
Investments outside India	-	-	-
Investments in India	110,080	-	110,080
Total (B) - Gross	110,080	-	110,080
Total - Gross	110,080	-	110,080
(Less): Impairment loss allowance (C)	-	-	-
Total (D = B - C)	110,080	-	110,080
As at March 31, 2022			
Mutual Fund	192,742	-	192,742
HSBC InvestDirect Securities (India) Private Limited*	-	17,057	17,057
Total (A) - Gross	192,742	17,057	209,799
Investments outside India	-	-	-
Investments in India	192,742	17,057	209,799
Total (B) - Gross	192,742	17,057	209,799
Total - Gross	192,742	-	192,742
Fair value changes	-	17,057	17,057
(Less): Impairment loss allowance (C)	-	-	-
Total (D = B - C)	192,742	17,057	209,799

* The Company has measured its investment in HSBC InvestDirect Securities (India) Private Limited at fair value through other comprehensive income.

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2022 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

7 Other financial assets

Particulars	As at March 31, 2022	As at March 31, 2021
Security deposits	6,998	4,579
Margin and other deposits	150	2,650
Receivable on account of sale of collateral securities	-	7,484
Total	7,148	14,713

8 Current tax assets (Net)

Particulars	As at March 31, 2022	As at March 31, 2021
Advance tax and tax deducted at source (net of provision for tax 498,109; March 31 2021: 550,643)	143,181	152,426
Total	143,181	152,426

9 Property, plant and equipment

Particulars	Own Assets			Total
	Land#	Data processing machineries	Office Equipments	
Gross carrying amount				
Opening gross carrying amount	378	5,418	726	6,522
Additions	-	2,787	-	2,787
Disposals and transfers	-	-	-	-
Closing gross carrying amount	378	8,205	726	9,309
Accumulated depreciation				
Opening accumulated depreciation	-	4,389	244	4,633
Depreciation charge during the year	-	1,012	100	1,113
Disposals and transfers	-	-	-	-
Closing accumulated depreciation	-	5,401	344	5,745
Net carrying amount as at March 31, 2021	378	2,804	382	3,564
Gross carrying amount				
Opening gross carrying amount	378	8,205	726	9,309
Additions	-	1,739	37	1,776
Disposals and transfers	-	-	-	-
Closing gross carrying amount	378	9,944	763	11,085
Accumulated depreciation				
Opening accumulated depreciation	-	5,401	344	5,745
Depreciation charge during the year	-	885	104	989
Disposals and transfers	-	-	-	-
Closing accumulated depreciation	-	6,286	448	6,734
Net carrying amount as at March 31, 2022	378	3,658	315	4,351

The Company has a land at Vadgaon Pune, Maharashtra which is held in the erstwhile name i.e., Tajir Investments and Properties Ltd. [now known as HSBC InvestDirect Financial Services (India) Limited]

10 Intangible assets

Particulars	Computer softwares
Gross carrying amount	
Opening gross carrying amount	1,233
Additions	-
Disposals and transfers	-
Closing gross carrying amount	1,233
Accumulated amortisation	
Opening accumulated amortisation	1,233
Amortisation during the period	-
Disposals and transfers	-
Closing accumulated amortisation	1,233
Net carrying amount as at March 31, 2021	-
Gross carrying amount	
Opening gross carrying amount	1,233
Additions	4,534
Disposals and transfers	-
Closing gross carrying amount	5,767
Accumulated amortisation	
Opening accumulated amortisation	1,233
Amortisation during the period	1,007
Disposals and transfers	-
Closing accumulated amortisation	2,240
Net carrying amount as at Mar 31, 2022	3,527

Intangible assets under development

Gross carrying amount	
Opening gross carrying amount	3,400
Additions	-
Disposals and transfers	-
Closing gross carrying amount as at March 31, 2021	3,400
Gross carrying amount	
Opening gross carrying amount	3,400
Additions	-
Disposals and transfers	(3,400)
Closing gross carrying amount as at March 31, 2022	-

Intangible assets under development/ CWIP aging schedule

As at March 31, 2022

There are no intangible assets under development/CWIP as at March 31, 2022.

As at March 31, 2021

Intangible assets under development/CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects progress	3,400	-	-	-	3,400
Projects temporarily suspended	-	-	-	-	-

11 Other non-financial assets

Particulars	As at March 31, 2022	As at March 31, 2021
Prepayments	5,090	3,452
Amount receivable from Gratuity Trust Fund	81	-
Others	38	-
Total	5,209	3,452

12 Trade payables

Particulars	As at March 31, 2022	As at March 31, 2021
- Total outstanding dues of micro-enterprises and small enterprises	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	10,700	11,463
Total	10,700	11,463

The below information as required under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) has been determined to the extent such parties have been identified on the basis of information received from suppliers regarding their status under the said Act as available with the Company.

Particulars	As at March 31, 2022	As at March 31, 2021
Outstanding principal amount and interest due to suppliers registered under MSMED Act and remaining unpaid at the year end:		
- Principal amount	-	-
- Interest due thereon	-	-
Interest paid other than under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period:	-	-
Interest paid under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period:	-	-
Amount of the payment made to suppliers registered under MSMED Act, beyond the appointed day during the period:	-	-
Amount of interest due and payable (where the principal has already been paid but interest has not been paid):	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year:	-	-
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of MSMED Act.	-	-

Trade Payables aging schedule

Particulars	Outstanding for following periods from due date of payment				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
As at March 31, 2022					
(i) MSME	-	-	-	-	-
(i) Others	10,700	-	-	-	10,700
(ii) Disputed dues - MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-

Particulars	Outstanding for following periods from due date of payment				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
As at March 31, 2021					
(i) MSME	-	-	-	-	-
(i) Others	11,463	-	-	-	11,463
(ii) Disputed dues - MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-

(All amounts in INR thousands, unless otherwise stated)

13 Debt securities

Particulars	As at March 31, 2022	As at March 31, 2021
At amortised cost		
Unsecured:		
- Commercial paper	2,816,565	247,439
Total (A)	2,816,565	247,439
Debt securities in India	2,816,565	247,439
Debt securities outside India	-	-
Total (B)	2,816,565	247,439

Terms of repayment schedule of debt securities:-

Instrument with repayment terms	Maturity Date	31-Mar-22		
		Interest Rate Range (% p.a.)	Carrying amount	Face Value
Commercial paper Repayable at Maturity	29-04-2022	4.60%	597,906	600,000
	09-05-2022	4.70%	497,582	500,000
	23-06-2022	5.15%	395,399	400,000
	12-09-2022	5.50%	487,972	500,000
	12-09-2022	5.50%	243,986	250,000
	24-06-2022	4.60%	593,720	600,000
Total			2,816,565	2,850,000

Instrument with repayment terms	Maturity Date	31-Mar-21		
		Interest Rate Range (% p.a.)	Carrying amount	Face Value
Commercial paper				
	24-06-2021	4.50%	247,439	250,000
Total			247,439	250,000

During the year, there were no defaults in the repayment of principal or interest.

14 Borrowings (other than debt securities)

Particulars	As at March 31, 2022	As at March 31, 2021
At amortised cost		
Secured		
Loan repayable on demand		
- Overdraft from Bank#		30,847
Interest rate was 5.50% p.a. for FY 2021-22 (6.28% p.a. to 6.41% p.a. for FY 2020-21)		
Unsecured		
Loans from related parties		
Loan from the holding company §	1,620,000	1,620,000
Interest rate was 5.67% p.a. to 7.13% p.a. for FY 2021-22 (5.90% p.a. to 7.80% p.a. for FY 2020-21)		
Total (A)	1,620,000	1,650,847
Borrowings in India	1,620,000	1,650,847
Borrowings outside India	-	-
Total (B)	1,620,000	1,650,847

Fully secured against fixed deposit (note 4)

§ The tenor of the loan is 36 months from the date of respective disbursement with bullet repayment on maturity or at the option of the borrower. This loan is now further extended for an additional period of 36 months w.e.f from February 24, 2023.

14.1 During the year, there were no defaults in the repayment of principal or interest.

14.2 The company has used the borrowings from bank or financial institutions for the specific purpose for which it was taken.

14.3 The company has not been declared wilful defaulter by any bank or financial institutions.

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2022 (Contd.)

14 Borrowings (other than debt securities) (Contd.)

14.4 Registration of charges or satisfaction with Registrar of Companies (ROC)

Below are the charges registered with ROC, in respect of which dues has been repaid by 15 March 2009 and currently there are no outstanding dues. However, the Company has not filed the relevant forms intimating the satisfaction of said charges with ROC and accordingly, the Company is in the process of filing an application for condonation of delay with ROC.

Charge I'd	Charge Holder Name	Date of Creation	Date of Modification	Amount
10131100	IL & FS TRUST COMPANY LIMITED	11-07-2008	-	21,530,000
10115277	IL & FS TRUST COMPANY LIMITED	07-09-2008	-	26,450,000
10096013	IL & FS TRUST COMPANY LIMITED	04-11-2008	-	22,550,000
10087391	IL & FS TRUST COMPANY LIMITED	14-01-2008	09-07-2008	5,500,000

14.5 Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Particulars	As at	As at
	March 31, 2022	March 31, 2021
Cash and cash equivalents, bank overdrafts	12,274	(29,371)
Liquid investments	192,742	110,080
Debt securities - commercial paper	(2,816,565)	(247,439)
Borrowings - loans from related parties	(1,620,000)	(1,620,000)
Net debt	(4,231,549)	(1,786,730)

Particulars	Cash and cash equivalents, overdraft	Liquid investments	Debt securities - commercial paper	Borrowings - loans from related parties
Net debt as at April 1, 2020	344,019	1,478,479	(2,220,322)	(1,620,000)
Cash flows movement (net)	(373,390)	(1,368,399)	1,973,066	-
Interest expense	(443)	-	(45,092)	(115,113)
Interest paid	443	-	44,909	115,113
Other non-cash movements	-	-	-	-
- Fair value adjustments	-	-	-	-
- Unamortised discount	-	-	-	-
- Acquisitions/disposals	-	-	-	-
Net debt as at March 31, 2021	(29,371)	110,080	(247,439)	(1,620,000)
Cash flows movement (net)	41,645	82,662	(2,549,266)	-
Interest expense	(1,175)	-	(19,860)	(99,101)
Interest paid	1,175	-	-	99,101
Other non-cash movements	-	-	-	-
- Fair value adjustments	-	-	-	-
- Unamortised discount	-	-	-	-
- Acquisitions/disposals	-	-	-	-
Net debt as at March 31, 2022	12,274	192,742	(2,816,565)	(1,620,000)

15 Other financial liabilities

Particulars	As at	As at
	March 31, 2022	March 31, 2021
Employee benefits payable	856	1,323
Payable to customer on account of	-	-
- Moratorium	-	831
- Pending settlement	-	7,484
Total	856	9,638

(All amounts in INR thousands, unless otherwise stated)

16 Current tax liabilities (Net)

Particulars	As at March 31, 2022	As at March 31, 2021
Provision for income tax (net of advance tax NIL, March 31, 2021: 377,295)		15,311
Total		15,311

17 Provisions

Particulars	As at March 31, 2022	As at March 31, 2021
Provision for employee benefits		
-Leave obligation	723	553
-Gratuity (Refer Note 30)	1,354	312
Provision for property tax*		16,173
Total	2,077	17,038

* The movement in provision for property tax is as follows:

Particulars	As at March 31, 2022	As at March 31, 2021
Opening balance	16,173	16,173
Additions during the year		
Amounts used		
Unused amounts reversed	16,173	
Closing balance		16,173

18 Deferred tax assets (Net)

Particulars	As at March 31, 2022	As at March 31, 2021
Property, plant and equipment/ Intangible asset	1,170	2,120
Expenses allowable on payment basis as per section 43B of Income Tax Act, 1961	760	350
Impairment allowance for loans	220	160
Unrealised gain on mutual fund	(40)	
Net deferred tax asset/(liability)	2,110	2,630

19 Other non-financial liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Statutory dues payable including provident fund and tax deducted at source	3,093	2,607
Total	3,093	2,607

(All amounts in INR thousands, unless otherwise stated)

20. Equity share capital

Particulars	As at March 31, 2022		As at March 31, 2021	
	Number of shares	Rs.	Number of shares	Rs.
Authorised shares				
Equity shares of Rs. 10 each	147,000,000	1,470,000	147,000,000	1,470,000
Issued, subscribed & fully paid-up shares				
Equity shares of Rs. 10 each	146,284,720	1,462,847	146,284,720	1,462,847
Total	146,284,720	1,462,847	146,284,720	1,462,847

a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year.

Particulars	As at March 31, 2022		As at March 31, 2021	
	Number of shares	Rs.	Number of shares	Rs.
Outstanding at the beginning of the year	146,284,720	1,462,847	146,284,720	1,462,847
Shares issued during the year	-	-	-	-
Outstanding at the end of the year	146,284,720	1,462,847	146,284,720	1,462,847

b) Terms and rights attached to equity shares

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

c) Shares of the Company held by the holding company

Equity shareholders	As at March 31, 2022		As at March 31, 2021	
	Number of shares	% holding	Number of shares	% holding
HSBC InvestDirect (India) Private Limited, the holding company & its joint holders	146,284,720	100	146,284,720	100

d) Details of shareholders holding more than 5% of the shares in the Company

Equity shareholders	As at March 31, 2022		As at March 31, 2021	
	Number of shares	% holding	Number of shares	% holding
HSBC InvestDirect (India) Private Limited, the holding company & its joint holders	146,284,720	100	146,284,720	100

e) Shareholding of Promoters

Shares held by promoters as at March 31, 2022			% Change during the year
Promoter name	No. of Shares	% of total shares	
HSBC InvestDirect (India) Private Limited, the holding company & its joint holders	146,284,720	100	-
Total	146,284,720	100	-

Shares held by promoters as at March 31, 2021			% Change during the year
Promoter name	No. of Shares	% of total shares	
HSBC InvestDirect (India) Private Limited, the holding company & its joint holders	146,284,720	100	-
Total	146,284,720	100	-

For the Company's capital management policy, refer Note 33

21 Other equity

(All amounts in INR thousands, unless otherwise stated)

A Reserves and surplus

Particulars	As at March 31, 2022	As at March 31, 2021
Securities premium		
Opening balance	1,934,680	1,934,680
Add : changes during the year	-	-
Closing balance	1,934,680	1,934,680
General reserve		
Opening balance	17,000	17,000
Add : changes during the year	-	-
Closing balance	17,000	17,000
Statutory reserve		
Opening balance	427,350	391,736
Add : transfer during the year	38,467	35,614
Closing balance	465,817	427,350
Impairment reserve		
Opening balance	24,507	23,479
Add : transfer during the year	8,964	1,028
Closing balance	33,471	24,507
Retained earnings		
Opening balance	843,383	701,641
Add : changes during the year	192,334	178,074
(Less) : appropriation in special reserve	(38,467)	(35,614)
(Less) : appropriation in impairment reserve	(8,964)	(1,028)
Items of other comprehensive income recognised directly in retained earnings		
(Less) : remeasurements of post-employment benefit obligation, net of tax	(221)	310
Closing balance	988,065	843,383
Total Reserves and surplus	3,439,033	3,246,920

B Other reserves

Particulars	As at March 31, 2022	As at March 31, 2021
Equity Instruments through Other Comprehensive Income		
Opening balance	-	-
Add: changes during the year	17,057	-
Transfer of gain to Retained Earnings	-	-
Total other reserves	17,057	-
Total other equity	3,456,090	3,246,920

Nature and purpose of other equity

a) Securities premium

Securities premium is used to record the premium on issue of shares. This is to be utilised in accordance with the provisions of the Companies Act, 2013.

b) Statutory reserve

Special reserve represents appropriation of retained earning as per Section 45 IC of the Reserve Bank of India Act, 1934. No appropriation of any sum from the statutory reserve fund shall be made by the NBFC except for the purpose as may be specified by the RBI from time to time.

c) General reserve

The general reserve is created by transfer from retained earnings as per the provision of the Companies Act. It can be used in accordance with the provisions of the Companies Act.

d) Retained earnings

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

e) Impairment reserve

As per circular number RBI/2019-20/170 dated March 13, 2020, an Impairment Reserve is created when Impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), the company shall appropriate the difference from their net profit or loss after tax to a separate Impairment Reserve. As per the circular, the balance in the Impairment Reserve shall not be reckoned for regulatory capital.

f) FVOCI equity Investments

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

22(a) Interest income

Particulars	Mar 31, 2022	Mar 31, 2021
On financial assets measured at Amortised costs:		
Interest on loans	396,845	437,799
Prepayment Fees	-	847
Interest on deposits with banks	19,278	21,683
Total	416,123	460,329

22(b) Net gain on fair value changes

Particulars	Mar 31, 2022	Mar 31, 2021
Others		
Net Gain/(loss) on financial instrument at fair value through profit or loss	17,304	30,187
Total (A)	17,304	30,187
Fair Value changes:		
Realised	17,160	30,145
Unrealised	144	42
Total (B)	17,304	30,187

23 Other income

Particulars	Mar 31, 2022	Mar 31, 2021
Miscellaneous Income	113	8
Liability no longer required written back	16,173	-
Total	16,286	8

24 Finance costs

Particulars	Mar 31, 2022	Mar 31, 2021
On financial liabilities measured at amortised cost:		
Bank overdraft	1,175	443
Inter corporate deposits	99,101	115,113
Commercial Papers	19,860	45,092
Other Borrowing Costs	1,742	260
Total	121,878	160,908

25 Impairment on financial instruments

Particulars	Mar 31, 2022	Mar 31, 2021
On financial instruments measured at Amortised cost:		
Loans	261	(5)
Total	261	(5)

26 Employee benefits expenses

Particulars	Mar 31, 2022	Mar 31, 2021
Salaries and wages	39,556	35,446
Contribution to provident and other funds (Refer note 30)	1,845	1,653
Gratuity (Refer note 30)	1,059	727
Staff welfare expenses	1,652	2,317
Total	44,112	40,143

(All amounts in INR thousands, unless otherwise stated)

27 Other expenses

Particulars	Mar 31, 2022	Mar 31, 2021
Rent [Refer Note (c) below]	12,301	9,944
Rates and taxes	877	899
Repairs and maintenance		
- Others	6,305	11,642
Insurance charges	807	838
Travelling and conveyance	9	66
Printing and stationery	101	8
Communication costs	406	538
Advertisement and business promotion	60	
Professional fees	11,454	8,707
Directors' sitting fees	575	725
Licence and fees	414	471
Stamping and Franking Charges	4,212	797
Membership and Subscription	904	1,032
Storage Charges	3,383	3,461
Contribution for corporate social responsibility (CSR) [Refer Note (b) below]	6,122	6,059
Auditors' remuneration [Refer Note (a) below]	4,287	4,257
Miscellaneous expenses	45	102
Total	52,262	49,546

a) Breakup of Auditors' remuneration

Particulars	Mar 31, 2022	Mar 31, 2021
Audit fees	2,900	3,029
Other services	1,000	1,000
Certification	380	165
Out-of-pocket expenses	7	63
Total	4,287	4,258

b) Contribution for corporate social responsibility (CSR)

Particulars	Mar 31, 2022	Mar 31, 2021
Amount required to be spent as per Section 135 of the Act	6,122	6,059
Amount spent during the year on:		
(i) Construction/acquisition of an asset		
(ii) On purposes other than (i) above	6,122	6,059
Total	6,122	6,059

Particulars	Mar 31, 2022	Mar 31, 2021
(a) Amount required to be spent by the company during the year	6,122	6,059
(b) Amount of expenditure incurred	6,122	6,059
(c) Shortfall at the end of the year	Not Applicable	Not Applicable
(d) Total of previous years shortfall	Not Applicable	Not Applicable
(e) Reason for shortfall	Not Applicable	Not Applicable
(f) Nature of CSR activities	Refer # below	Refer \$ below
(g) Details of related party transactions	Not Applicable	Not Applicable
(h) Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year shall be shown separately.	Not Applicable	Not Applicable

Administering COVID-19 vaccine through mobile vaccination units/vans, to the geographically difficult to access communities, socially and economically disadvantaged population. The activities are related to COVID 19 relief and recovery under item no. (i) and (xii) of Schedule VII – Covid-19 relief/recovery relating to promotion of health care, including preventive health care; and Disaster management including relief

\$ Training economically disadvantaged youth as skilled healthcare professionals, to be placed in waged employment. The activities are related to employment enhancing vocation skills under item no. (ii) of Schedule VII – employment enhancing vocation for youth and livelihood enhancement project.

HSBC InvestDirect Financial Services (India) Limited

Notes to financial statements for the year ended March 31, 2022 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

27 Other expenses (Contd.)

c) Short-term lease disclosures:

The company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payment associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The company incurred INR 12,301 (INR 9,944 for FY 20-21) for the year ended March 31, 2022 towards expense relating to short-term lease.

Lease contracts entered by the company majorly pertains for office space taken on lease to conduct its business in the ordinary course by using the existing infrastructure and utilities provided in the building. The company does not have any lease restrictions and commitments towards variable rent as per the contract.

d) Struck-off companies:

The Company did not have any transactions with companies struck off under section 248 of Companies Act, 2013 or section 560 of Companies Act, 1956.

(All amounts in INR thousands, unless otherwise stated)

28 Income tax expenses

a) The components of income tax expense for the period ended March 31, 2022 and March 31, 2021 are:

Particulars	Mar 31, 2022	Mar 31, 2021
Current tax	55,000	60,396
Deferred tax	594	350
(Excess)/short provision for tax	(18,724)	-
Sub-total	36,870	60,746
Deferred tax - Other comprehensive income	(74)	104
Total	36,796	60,850

b) Reconciliation of the total tax charge

The tax charge shown in the Statement of Profit and Loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended March 31 2022 and March 31, 2021 is, as follows:

Particulars	Mar 31, 2022	Mar 31, 2021
Accounting profit before tax	229,204	238,820
Tax at India's statutory income tax rate of 25.17% (previous year 25.17%)	57,691	60,111
Tax effect of the amount which are not taxable in calculating taxable income :		
- Expenses disallowed	1,541	2,280
- Income not subject to tax	(4,071)	(11)
- (Excess) provision for tax of earlier years	(18,724)	-
- Other	433	(1,635)
Income tax expense at effective tax rate	36,870	60,746
Effective tax rate	16.09%	25.44%

c) Deferred tax assets/liabilities

The balance comprises temporary differences attributable to the below items and corresponding movement in deferred tax liabilities / assets:

Particulars	As at March 31, 2021	(Charged)/ credited to profit and loss	(Charged)/ credited to OCI	As at March 31, 2022
Deferred tax liability :				
Property, plant and equipment/ Intangible asset	-	-	-	-
Deferred tax asset :				
Property, plant and equipment/ Intangible asset	2,120	(950)	-	1,170
Expenses allowable on payment basis as per section 43B of Income Tax Act, 1961	350	410	-	760
Impairment allowance for financial assets	160	60	-	220
Unrealised gain on mutual fund	-	(40)	-	(40)
Net deferred tax asset/ (liability)	2,630	(520)	-	2,110

Particulars	As at March 31, 2020	(Charged)/ credited to profit and loss	(Charged)/ credited to OCI	As at March 31, 2021
Deferred tax asset :				
Property, plant and equipment/ Intangible asset	2,480	(360)	-	2,120
Expenses allowable on payment basis as per section 43B of Income Tax Act, 1961	340	10	-	350
Impairment allowance for loans	160	-	-	160
Unrealised gain on mutual fund	-	-	-	-
Net deferred tax asset/ (liability)	2,980	(350)	-	2,630

29 Contingent liabilities and commitments (to the extent not provided for)

Provident Fund

The Honourable Supreme Court has recently provided a judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-1/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 Issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the Management, the aforesaid matter is not likely to have a significant impact.

30. Employee benefit obligations

a) Defined contribution plans

The Company has recognised the following amounts in the statement of profit and loss towards contribution to defined contribution plans which are included under contribution to provident and other funds:

Particulars	Mar 31, 2022	Mar 31, 2021
Provident fund	1,758	1,562
Others	87	91

b) Defined benefit plans

The Company has a defined benefit plan for post-employment benefits in the form of Gratuity. The Company contributes to the "Gratuity Trust". Every employee is entitled to a benefit equivalent to thirty days salary last drawn for each completed year of service. The same is payable at the time of separation from the Company or retirement whichever is earlier. The benefits vest after four years and one hundred ninety days of continuous service.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

i) Balance Sheet

	Present value of obligation	Fair value of plan assets	Net amount
As at April 1, 2020	9,412	7,501	1,911
Current service cost	1,015	-	1,015
Interest expense/(income)	557	517	40
Total amount recognised in Profit and loss	1,572	517	1,055
Return on plan assets excluding amounts included in interest expense/income	-	207	(207)
Actuarial loss / (gain) arising from change in financial assumptions	108	-	108
Actuarial loss / (gain) arising on account of experience changes	(315)	-	(315)
Total amount recognised in Other Comprehensive Income	(207)	207	(414)
Past service cost - plan amendments	(328)	-	(328)
Employer contributions	-	1,912	(1,912)
Benefit payments	(763)	(763)	-
As at March 31, 2021	9,686	9,374	312
Current service cost	1,049	-	1,049
Interest expense/(income)	526	517	9
Total amount recognised in Profit and Loss	1,575	517	1,058
Return on plan assets excluding amounts included in interest expense/income	-	(434)	434
Actuarial loss / (gain) arising from change in financial assumptions	(281)	-	(281)
Actuarial loss / (gain) arising on account of experience changes	142	-	142
Total amount recognised in Other Comprehensive Income	(139)	(434)	295
Past service cost - plan amendments	-	-	-
Employer contributions	-	312	(312)
Benefit payments	(2,396)	(2,396)	-
As at March 31, 2022	8,726	7,373	1,353

Particulars	As at March 31, 2022	As at March 31, 2021
Present value of plan liabilities	8,726	9,686
Fair value of plan assets	7,373	9,374
Plan liability net of plan assets	1,353	312

ii) Statement of Profit and Loss

Particulars	Mar 31, 2022	Mar 31, 2021
Employee Benefit Expenses:		
Current service cost	1,049	1,015
Total	1,049	1,015
Finance cost	9	40
Net impact on the profit before tax	1,058	1,055
Remeasurement of the net defined benefit liability:		
Return on plan assets excluding amounts included in interest expense/income	434	(207)
Actuarial loss / (gain) arising from change in financial assumptions	(281)	108
Actuarial loss / (gain) arising on account of experience changes	142	(315)
Net impact on the other comprehensive income before tax	295	(414)

iii) Defined benefit plans assets

Category of assets (% allocation)	As at March 31, 2022	As at March 31, 2021
Insurer Managed Fund (HDFC Group Unit-link plan - Option B)	100%	100%
Total	100%	100%

30 Employee benefit obligations (Contd.)

iv) Actuarial assumptions

With the objective of presenting the plan assets and plan liabilities of the defined benefits plans at their fair value on the balance sheet, assumptions under Ind AS-19 are set by reference to market conditions at the valuation date.

Particulars	As at March 31, 2022	As at March 31, 2021
Discount rate	6.7%	6.2%
Salary escalation rate*	7.0%	7.0%

* takes into account the inflation, seniority, promotions and other relevant factors

v) Demographic assumptions

Particulars	As at March 31, 2022	As at March 31, 2021
Mortality rate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Withdrawal rate	10%	10%

vi) Sensitivity

As at March 31, 2022	Change in assumption Increase or Decrease by	Impact on defined benefit obligation	
		Increase/ (Decrease)	
Discount rate	0.5%	(267)	281
Salary escalation rate	0.5%	280	(268)

As at March 31, 2021	Change in assumption Increase or Decrease by	Impact on defined benefit obligation	
		Increase/ (Decrease)	
Discount rate	0.5%	(265)	280
Salary escalation rate	0.5%	277	(265)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

vii) Maturity (undiscounted)

The defined benefit obligations shall mature after year end as follows:

Particulars	As at March 31, 2022	As at March 31, 2021
1st Following Year	891	979
2nd Following Year	998	2,700
3rd Following Year	1,097	935
4th Following Year	1,421	1,022
5th Following Year	1,155	1,322
Sum of 6 to 10	9,739	7,739

The weighted average duration of the defined benefit obligation is 7 years (previous year - 7 years)

viii) Risk Exposure

Interest rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation.

Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

31. Segment information

The Company is domiciled in India. The Company is engaged in business of financing by way of loans (non banking financial services), which is considered to be only reportable segment (in accordance with Ind AS 108).

32. Earnings per share (EPS)

a) Computation of basic & diluted earnings per share is given below:

Particulars	Mar 31, 2022	Mar 31, 2021
Basic & Diluted earnings per share		
Net profit after tax available for equity shareholders (A) (Rs. in thousands)	192,334	178,074
Weighted average number of equity shares (B)	146,284,720	146,284,720
Basic & Diluted earnings per share (A/B) (Rs.)	1.31	1.22
Nominal value per share (Rs.)	10	10

33. Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting capital adequacy requirements of the local banking supervisor, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, amongst other measures, the regulations issued by RBI. Company has complied in full with all its externally imposed capital requirements over the reported period. The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

Regulatory Capital:

Capital to risk assets ratio (CRAR):	As at March 31, 2022	As at March 31, 2021
Tier I capital	4,879,685	4,679,188
Tier II capital	858	597
Total capital	4,880,543	4,679,785
Risk weighted assets	8,808,648	6,099,420
CRAR (%)	55.41%	76.73%
CRAR - Tier I capital (%)	55.40%	76.72%
CRAR - Tier II capital (%)	0.01%	0.01%
Amount of subordinated debt considered as Tier II capital	-	-
Amount raised by issue of perpetual debt instruments	-	-

34 Maturity analysis of assets and liabilities

(All amounts in INR thousands, unless otherwise stated)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Particulars	As at March 31, 2022			As at March 31, 2021		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial assets						
Cash and cash equivalents	12,274	-	12,274	1,476	-	1,476
Bank balance other than cash and cash equivalents	403,202	-	403,202	405,313	-	405,313
Investments*	-	209,799	209,799	-	110,080	110,080
Loans	6,032,400	2,549,027	8,581,427	4,721,672	1,245,384	5,967,056
Other financial assets	6,998	150	7,148	14,713	-	14,713
Total financial assets (A)	6,454,874	2,758,976	9,213,850	5,143,174	1,355,464	6,498,638
Non-financial assets						
Current tax assets (Net)	-	143,181	143,181	-	152,426	152,426
Deferred tax assets (Net)	-	2,110	2,110	-	2,630	2,630
Property, plant and equipment	-	4,351	4,351	-	3,564	3,564
Intangible assets	-	3,527	3,527	-	-	-
Intangible assets under development	-	-	-	-	3,400	3,400
Other non-financial assets	5,209	-	5,209	3,452	-	3,452
Total Non-financial assets (B)	5,209	153,169	158,378	3,452	162,020	165,472
Total assets (C = A+B)	6,460,083	2,912,145	9,372,228	5,146,626	1,517,484	6,664,110
Financial liabilities						
Payables						
(i) Trade payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	10,700	-	10,700	11,463	-	11,463
Debt securities	2,816,565	-	2,816,565	247,439	-	247,439
Borrowings (other than debt securities)	-	1,620,000	1,620,000	30,847	1,620,000	1,650,847
Other financial liabilities	856	-	856	9,638	-	9,638
Total financial liabilities (D)	2,828,121	1,620,000	4,448,121	299,387	1,620,000	1,919,387
Non-financial Liabilities						
Current tax liabilities (Net)	-	-	-	15,311	-	15,311
Provisions	2,077	-	2,077	865	16,173	17,038
Other non-financial liabilities	3,093	-	3,093	2,607	-	2,607
Total Non-financial liabilities (E)	5,170	-	5,170	18,783	16,173	34,956
Total liabilities (F = D+E)	2,833,291	1,620,000	4,453,291	318,170	1,636,173	1,954,343
Net (C-F)	3,626,792	1,292,145	4,918,938	4,828,456	(118,689)	4,709,767

* As per the maturity profile prescribed by RBI in master circular, non-mandatory unlisted securities should be classified over 5 years' bucket. Hence, mutual fund though liquid in nature has been classified under the said bucket.

35 Fair value measurement

a) Financial Instruments by Category

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2A (v) to the financial statements.

Particulars	As at March 31, 2022			As at March 31, 2021		
	Fair value through Profit or Loss	Fair value through OCI	Amortised cost	Fair value through Profit or Loss	Fair value through OCI	Amortised cost
Financial Assets:						
Cash and cash equivalents	-	-	12,274	-	-	1,476
Bank balance other than cash and cash equivalents	-	-	403,202	-	-	405,313
Loans	-	-	8,581,427	-	-	5,967,056
Investments	192,742	17,057	-	110,080	-	-
Other financial assets	-	-	7,148	-	-	14,713
Total Financial Assets	192,742	17,057	9,004,051	110,080	-	6,388,558
Financial Liabilities:						
Trade payables	-	-	10,700	-	-	11,463
Debt securities	-	-	2,816,565	-	-	247,439
Borrowings (other than debt securities)	-	-	1,620,000	-	-	1,650,847
Other financial liabilities	-	-	856	-	-	9,638
Total Financial Liabilities	-	-	4,448,121	-	-	1,919,387

(All amounts in INR thousands, unless otherwise stated)

b) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard.

The hierarchies used are as follows:

Level 1: Hierarchy includes financial instruments measured using quoted prices. The quoted equity securities are valued at quoted prices as per the stock exchange.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at March 31, 2022

Assets and liabilities for which fair values are disclosed	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Investments	6	192,742	-	17,057	209,799
Total financial assets		192,742	-	17,057	209,799

As at March 31, 2021

Assets and liabilities for which fair values are disclosed	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Investments	6	110,080	-	-	110,080
Total financial assets		110,080	-	-	110,080

i) There are no transfers between levels 1, 2 and 3 during the year.

ii) The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

The fair value of financial instruments are classified into three categories (i.e. Level 1, 2 or 3 depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

c) Valuation technique used to determine fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

Specific valuation techniques used to value financial instruments include:

- The fair value of the remaining financial instruments is determined using discounted cash flow analysis and the discount rates used were adjusted for counterparty or own credit risk.

Valuation process

The credit risk management team performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the CRO and these valuations are reviewed by CFO.

The main level 3 inputs for loans against financial securities are discount rates, which are determined using weighted-average interest rates of loans sanctioned in March 2022 and March 2021.

d) Fair value of financial assets and liabilities measured at amortised cost

Particulars	As at March 31, 2022		As at March 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Loan against financial securities (LAS)	8,581,427	8,473,962	5,967,056	5,917,809
Total financial assets	8,581,427	8,473,962	5,967,056	5,917,809
Financial liabilities				
Debt securities	2,816,565	2,816,565	247,439	247,439
Borrowings	1,620,000	1,620,000	1,650,847	1,650,847
Total financial liabilities	4,436,565	4,436,565	1,898,286	1,898,286

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include, cash and bank balances, security deposits, other financial assets, trade and other payables, other financial liabilities, debt securities and borrowings. Such amounts have been classified as Level 3.

36 Financial risk management

The company's activities expose it to market risk, liquidity risk and credit risk.

The company's risk management is carried out by the Company's Risk Management team (led by a CRO) under policies approved by the board of directors. The Company has a loan policy, which provides guidelines for overall risk management, specifically credit risk and market risk. There is also an interest rate policy to manage interest rate risk and liquidity risk.

36.1 Credit risk management

Credit risk is the risk of suffering financial loss, should any of the company's customers, clients or market counterparties fail to fulfil their contractual obligations to the company. Credit risk arises mainly from loans and advances, and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports in to the CRO. Assessment of lending proposals includes assessment of borrower's background; financial strength and leverage; operational & financial performance track record; cash flows; valuation of collateral and similar parameters.

The Company offers a single product which is lending against financial securities (FAS). It is more than 100% secured product with regulatory risk weight assigned of 100%. A real-time risk monitoring system is put in place to assist the risk team to initiate the necessary margin call triggers and take necessary action including liquidation of collaterals to protect against the probable bad debts.

(a) Loans and advances (incl. loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under Ind AS 109. Refer to note 36.1(b) for more details.

Other financial assets

The Company has credit risk exposure in cash and cash equivalents, deposits with banks, and other financial assets. Cash and cash equivalents and bank deposits are held with only high rated banks/financial institutions only, therefore credit risk is perceived to be low.

Other financial assets pertain to security deposits for rented premises, margin deposit. The Company does not perceive any significant decline in credit risk of the lessors and hence expected probability of default is considered as low.

Customer Risk Rating (CRR)

The Company uses internal CRR rating model that enables its assessment of the probability of default of individual counterparties. The internal CRR is tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

The internal CRR is calibrated such that the risk of default increases exponentially at each higher CRR.

The Company has its own internal credit rating framework that is used for rating of the borrowers at the time of sanction and during the annual re-rating exercise. Any other known information about the borrower which impacts their creditworthiness – such as unemployment and previous delinquency history – is also incorporated into the annual re-rating exercise. Based on the analysis done by the Company, the parameters in the rating model (borrower strength, operating risk, market risk, financials, etc.) are given a score between 1 (highest) to 10 (lowest). The internal rating is based on the final score derived from the credit rating model.

Refer to table below for details:

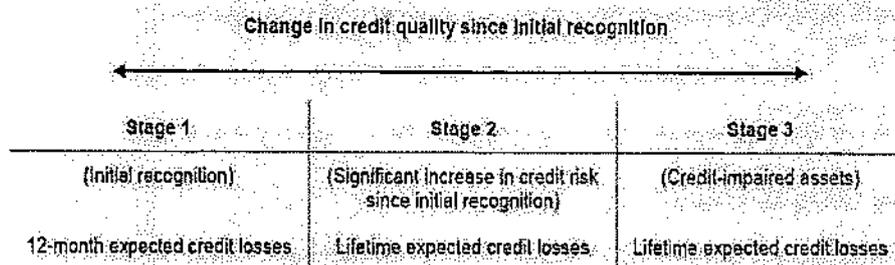
Internal score	Description of the grade
0.1, 1.1, 1.2	Minimum Default Risk
2.1, 2.2	Low Default Risk
3.1, 3.2, 3.3	Satisfactory Default Risk
4.1, 4.2, 4.3	Fair Default Risk
5.1, 5.2, 5.3	Moderate Default Risk
6.1, 6.2	Significant Default Risk
7.1, 7.2	High Default Risk
8.1, 8.2, 8.3	Special Management
9, 10	Default

(b) Expected credit loss measurement

Ind AS 109 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 36.1(b)(i) for a description of how the Company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 36.1(b)(ii) for a description of how the Company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 36.1(b)(iv) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with Ind AS 109 is that it should consider forward-looking information. Note 36.1(b)(v) includes an explanation of how the Company has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under Ind AS 109 (other than purchased or originated credit-impaired financial assets):



The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

(i) Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The credit risk on a financial asset of the Company are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Accordingly, the financial assets shall be classified as Stage 2, if on the reporting date, it has been more than 30 days past due. It may be kept in mind that the Company's Risk Management team can initiate sale of securities through invocation, to regularise the contractual payments due to the Company.

Qualitative criteria:

For all financial instruments held by the Company, if the borrower is on the watch, worry, monitor list and/or the instrument meets one or more of the following criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans
- The CRR of the borrower deteriorates to Significant Default Risk (internal score: 6.1, 6.2) / High Default Risk (internal score: 7.1, 7.2)

The assessment of SICR incorporates forward-looking information (refer to note 36.1(b)(v) for further information) and is performed on a monthly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Independent Risk Management team.

Backstop

The Company enjoys more than 300% collateral cover. There is a theoretical possibility that factors beyond the control of the Risk Management team may impact the realisability of security cover. Amongst other things, some such factors are listed below:

- Injunction on borrower, which prevents the Company from selling the collateral cover
- Regulatory advise on no sale of securities
- Underlying collateral security is locked on the lower circuit or have only sellers in the stocks

(ii) Definition of default and credit-impaired assets

Borrowers for whom the CRR has deteriorated to Special Management (Internal score: 8.1, 8.2, 8.3) / Default (Internal score: 9, 10) are considered to be credit-impaired.

In the SICR section above, the potential impact of factors beyond the control of the Risk Management team has been enumerated. Apart from the uncontrollable factors, the Company does not foresee a scenario where the financial instruments would be credit-impaired, by virtue of one or more of the following criteria:

- The Company is conservative in its customer selection criteria
- The Company observes an internal rating criteria before onboarding new customers and before renewing limits for existing customers
- The Company accepts collateral cover only for eligible securities. The criteria for determining eligible securities is described in the loan policy for each category of collateral (equity shares, mutual funds, bonds etc.)
- In the past 3 years, HFSI has not witnessed any Credit defaults or Credit losses on the LAS as a product. All loans are Stage 1 assets with a satisfactory historical repayment behavior.
- The loans offered have a contractual tenor of 12-36 months. Loans with a contractual tenor of more than 12 months are subject to annual review and approval. All the loans have a put/call option for the borrower/lender respectively.
- All financial collateral are valued on a continuing basis vis-a-vis the loan exposure for any shortfall which are required to be regularised in a maximum of 7 working day's time. Else, the financial collateral are subject to sell off.
- Any financial collateral showing quality deterioration is required to be swapped with better-quality security as advised by Risk Management team.
- All loans are demand loans callable with a short notice.

(iii) Upgradation from higher stage to lower stage

For upgradation from higher stage to lower stage (i.e. to have cured):

Loan and advances is not moved from higher stage to lower stage immediately after payment of overdue amount, following cooling off period is applied:

From Stage 2 to Stage 1

- Contractual payments are in lower than 30 days past due for at least six months

This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(iv) Measuring ECL - Explanation of Inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking economic information is also included in determining the PD, EAD and LGD. Refer to note 35.1(b)(v) for an explanation of forward-looking information and its inclusion in ECL calculations.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(v) Forward-looking information incorporated in the ECL model

The assessment of SICR incorporates forward-looking information. All loans are Stage 1 assets with a satisfactory historical repayment behaviour. The Company's LAS portfolio comprises highly liquid financial collateral which are valued on a continuing basis vis-a-vis the loan exposure for any shortfall which are required to be regularised in a maximum of 7 working day's time. Else, the financial collateral are subject to sell off.

In the SICR section above, the potential impact of factors beyond the control of the Risk Management team has been enumerated. Apart from the uncontrollable factors, it is unlikely that any of the Stage 1 assets would move to Stage 2.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, which are likely to culminate into reduction in realisable value of collateral securities are built in through the annual stress-testing exercise (which is a regulatory requirement). The portfolio is stress-tested under various scenarios to arrive at the impact analysis on the loan portfolio, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

(vi) Financial assets measured on a collective basis
ECL is calculated on a collective basis for the entire LAS portfolio.

(vii) Account review method
Drawing power ratio is the percentage of loan over the net value of securities.

$$\text{Drawing Power Ratio} = \frac{\text{Value of Security after haircut} * 100}{\text{Loan Outstanding}}$$

Loan Outstanding

On a daily basis, the risk report will be generated taking the latest end of day price and DP ratio is ascertained. Where the DP ratio is less than 95%, the margin call will be raised to customer. In case of extreme fall in the market, an intraday risk report is prepared and necessary actions are taken for margin shortfall by credit risk team.

Based on Drawing Power Ratio, the loans would be categorized as follows:

Margin Call	Drawing Power (ratio)	Category	Course of Action	Time Lines for action – Equity shares *	Time Lines for action – Other Securities **
Not applicable	95% - 100% (>97% for Securities with security portfolio LTV of greater than equal to 80%)	Normal Loans	Shortfall notice	Within 7 (Seven) working Days failing which positions will be squared off.	No action required.
Margin Call	85 - 95% (97% for Securities with security portfolio LTV of greater than equal to 80%)	Y Category Loans	Shortfall notice	7 (Seven) Working Days to top the margins failing which positions will be squared off.	7 (Seven) Working Days to top the Margins failing which positions will be squared off.
Square off	< 85 % (94% for securities with security portfolio LTV of greater than equal to 80%)	YY Category Loans	Square off after appropriate intimation to customer.	Immediate Square off after giving appropriate intimation to the borrower.	Immediate Square off after giving appropriate intimation to the borrower.

* For any high risk lending against equity shares or mutual funds (for e.g. single stock lending, promoter lending, etc.) case, the stringent timeline of five working days for the Category "Y" shortfall shall apply.

** Any mixed collateral securities portfolio with more than 65% equity shares composition will be considered as a 100% equity portfolio for Margin Call management and process. All regularization timelines as applicable for a 100% Equity Shares portfolio shall apply to such a portfolio.

(c) Credit risk exposure

(i) Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

Asset group	Internal rating grade	As at March 31, 2022			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Performing	-	-	-	-
	Minimum Default Risk	-	-	-	-
	Low Default Risk	-	-	-	-
	Satisfactory Default Risk	8,188,325	-	-	8,188,325
	Fair Default Risk	393,960	-	-	393,960
	Moderate Default Risk	-	-	-	-
	Significant Default Risk	-	-	-	-
	High Default Risk	-	-	-	-
	Special Management	-	-	-	-
	Default	-	-	-	-
	Non-performing Individually Impaired	-	-	-	-
Total	Total	8,582,285	-	-	8,582,285

Asset group	Internal rating grade	As at March 31, 2021			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Performing	-	-	-	-
	Minimum Default Risk	-	-	-	-
	Low Default Risk	-	-	-	-
	Satisfactory Default Risk	5,531,005	-	-	5,531,005
	Fair Default Risk	436,648	-	-	436,648
	Moderate Default Risk	-	-	-	-
	Significant Default Risk	-	-	-	-
	High Default Risk	-	-	-	-
	Special Management	-	-	-	-
	Default	-	-	-	-
Non-performing	-	-	-	-	
Individually impaired	-	-	-	-	
Total	Total	5,967,653	-	-	5,967,653

(ii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Company prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types are:

- Listed stocks
- Units of mutual funds (both equity & debt schemes including Fixed Maturity Plans)
- Bonds (sovereign and corporate)

The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

As per the contractual terms, collateral is permitted to be sold on event of default (Refer Note 36.1(b)(vii))

Particulars	Gross exposure to credit risk	Impairment allowance*	Carrying amount	Fair value of collateral held#
As at March 31, 2022				
- Loan against financial securities (LAS)	8,582,285	(858)	8,581,427	25,100,760
Total	8,582,285	(858)	8,581,427	25,100,760
As at March 31, 2021				
- Loan against financial securities (LAS)	5,967,653	(597)	5,967,056	17,103,345
Total	5,967,653	(597)	5,967,056	17,103,345

* Impairment allowance: 0.01% for March 31, 2022; 0.01% for March 31, 2021

Fair value of collateral held includes collateral amount against which no loan is outstanding as at March 31, 2022 and March 31, 2021.

(iii) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk in the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 36.1(c)).

(All amounts in INR thousands, unless otherwise stated)

An analysis of change in the gross carrying amount of the loan portfolio and corresponding loss allowance:
The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed below:

Asset group	Particulars	Year ended March 31, 2022			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	5,967,653	-	-	5,967,653
	Loans given	13,160,494	-	-	13,160,494
	Loans repaid (including partial repayments)	(10,545,862)	-	-	(10,545,862)
	Closing balance	8,582,285	-	-	8,582,285

Asset group	Particulars	Year ended March 31, 2021			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	6,020,296	-	-	6,020,296
	Loans given	5,086,042	-	-	5,086,042
	Loans repaid (including partial repayments)	(5,138,685)	-	-	(5,138,685)
	Closing balance	5,967,653	-	-	5,967,653

The following table explains the changes in the loss allowance between the beginning and at the end of the annual period due to various factors:

Asset group	Particulars	Year ended March 31, 2022			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	597	-	-	597
	Loans given	1,316	-	-	1,316
	Loans repaid (including partial repayments)	(1,055)	-	-	(1,055)
	Net remeasurement of loss allowance	-	-	-	0
	Closing balance	858	0	0	858

Asset group	Particulars	Year ended March 31, 2021			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	602	-	-	602
	Loans given	509	-	-	509
	Loans repaid (including partial repayments)	(514)	-	-	(514)
	Net remeasurement of loss allowance	-	-	-	-
	Closing balance	597	-	-	597

(d) Write-off policy

Margin calls letters are sent to customers whenever there is margin shortfall. In case customer fails to timely top-up the margins and brings it to approved levels, sale of the securities will be initiated by Relationship Managers. Pledge / Lien on Stocks / Other Security will be invoked fully or partially and same will be liquidated to clear the margin shortfall and other dues, if any. In the event of shortfall of securities to cover the outstanding dues, the Company shall initiate appropriate legal action against the customer based on the documentation executed with the customer. Excess fund balance, if any, will be transferred to customer's registered bank account with HIFSL and excess securities will be freed from pledge/lien, post clearing of dues on the account.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended March 31, 2022 was NIL (March 31, 2021 -NIL).

(e) Concentration of credit risk

There are no significant concentrations of credit risk to specific industry sectors and/or regions. For concentrations of credit risk to customers. For concentration of credit risk to customers, refer note 40.

(f) Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 36.1.

36.2. Liquidity risk and funding management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

a) Financing arrangements

The company had access to the following undrawn borrowing facilities, including committed lines, at the end of the reporting period:

	As at March 31, 2022	As at March 31, 2021
Floating rate		
- Expiring within one year (bank overdraft and other facilities, with renewal option)	1,230,000	1,099,153
- Expiring beyond one year (other facilities)	1,130,000	380,000

b) Maturity of financial assets and financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities as at the year end. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The Company does not have any derivative financial liabilities.

As at March 31, 2022

Contractual maturities of financial assets and financial liabilities	Carrying Amount	Within 12 months			After 12 months		Total
		Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	
Financial assets							
Cash and cash equivalents	12,274	12,274	-	-	-	-	12,274
Bank balance other than cash and cash equivalents above	403,202	295,064	1,301	111,147	-	-	407,512
Loans	8,581,427	831,180	1,038,826	4,599,110	1,363,401	1,693,318	9,525,834
Investments	209,799	192,742	-	-	-	17,057	209,799
Other financial assets	7,148	-	-	6,998	-	150	7,148
Total assets	9,213,850	1,331,260	1,040,127	4,717,255	1,363,401	1,710,525	10,162,567
Financial liabilities							
Trade payables	10,700	9,743	130	828	-	-	10,700
Debt securities	2,816,565	2,100,000	750,000	-	-	-	2,850,000
Borrowings (other than debt securities)	1,620,000	24,718	24,990	49,436	198,288	1,710,180	2,007,612
Other financial liabilities	856	-	-	856	-	-	856
Total liabilities	4,448,121	2,134,461	775,120	51,120	198,288	1,710,180	4,869,168

As at March 31, 2021

Contractual maturities of financial assets and financial liabilities	Carrying Amount	Within 12 months			After 12 months		Total
		Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	
Financial assets							
Cash and cash equivalents	1,476	1,476	-	-	-	-	1,476
Bank balance other than cash and cash equivalents above	405,313	297,833	1,287	110,379	-	-	409,499
Loans	5,967,056	929,476	1,588,821	2,470,491	737,278	702,277	6,428,343
Investments	110,080	-	-	-	-	110,080	110,080
Other financial assets	14,713	9,984	-	4,729	-	-	14,713
Total assets	6,498,639	1,238,769	1,590,108	2,585,599	737,278	812,357	6,964,111
Financial liabilities							
Trade payables	11,463	6,608	3,270	1,585	-	-	11,463
Debt securities	247,439	250,000	-	-	-	-	250,000
Borrowings (other than debt securities)	1,650,847	60,048	29,522	58,403	1,737,447	-	1,885,420
Other financial liabilities	9,638	8,315	-	1,323	-	-	9,638
Total liabilities	1,919,388	324,971	32,792	61,311	1,737,447	-	2,156,521

(All amounts in INR thousands, unless otherwise stated)

36.3 Market Risk

Market risk is that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and price movements.

a) Interest rate risk - lending

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company's main interest rate risk arises from lending with variable rates, which expose the Company to cash flow interest rate risk. As at March 31, 2022 and March 31, 2021, the Company's lending portfolio at variable rate are denominated in Indian Rupees.

i) Interest rate risk exposure

The exposure of the Company's lending portfolio to interest rate changes at the end of the reporting periods/years are as follows:

Particulars	As at March 31, 2022	As at March 31, 2021
Variable rate loans*	8,582,285	5,967,653
Fixed rate loans	-	-
Total	8,582,285	5,967,653

* The loan amounts are the gross carrying value

As at the end of the reporting period, the Company had the following variable rate loan (asset) outstanding:

As at March 31, 2022	Weighted average interest rate	Balance	% of total loans
Loans	6.89%	8,582,285	100%

As at March 31, 2021	Weighted average interest rate	Balance	% of total loans
Loans	7.04%	5,967,653	100%

ii) Sensitivity

Profit and loss is sensitive to higher/lower interest income from variable rate loans as a result of changes in interest rates.

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2022	Year ended March 31, 2021
Interest rates – increase by 60 (March 31, 2021: 90) basis points	38,263	39,789
Interest rates – decrease by 60 (March 31, 2021: 90) basis points	(38,263)	(39,789)

The sensitivity is derived holding all other variables constant

b) Interest rate risk exposure - borrowings

i) Interest rate risk exposure - borrowings

The exposure of the Company's borrowing portfolio to interest rate changes at the end of the reporting periods/years are as follows:

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Overdraft from Bank	-	30,847
Loan from the holding company	1,620,000	1,620,000
Variable rate loans	1,620,000	1,650,847
Commercial papers	2,816,565	247,439
Fixed rate loans	2,816,565	247,439
Total	4,436,565	1,898,286

As at the end of the reporting period, the Company had the following variable rate borrowings outstanding:

As at March 31, 2022	Weighted average interest rate	Balance	% of total loans
Borrowings (other than debt securities)	6.12%	1,620,000	37%

As at March 31, 2021	Weighted average interest rate	Balance	% of total loans
Borrowings (other than debt securities)	7.21%	1,650,847	87%

(All amounts in INR thousands, unless otherwise stated)

ii) Sensitivity

Profit and loss is sensitive to higher/lower interest income/(expense) from variable rate loans as a result of changes in interest rates.

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2022	Year ended March 31, 2021
Interest rates – increase by 60 (March 31, 2021: 90) basis points	(7,274)	(11,118)
Interest rates – decrease by 60 (March 31, 2021: 90) basis points	7,274	11,118

The sensitivity is derived holding all other variables constant.

c) Interest rate risk exposure - Investments in debt oriented mutual funds

The Company is exposed to interest rate risk from investments held in debt oriented mutual fund units. These funds invest in debt securities. The exposure to interest rate risk in case of units backed by debt securities is measured using sensitivity analysis as follows:

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2022	Year ended March 31, 2021
91 days T-bill - increase by 100 basis points	1,978	1,044
91 days T-bill - decrease by 100 basis points	(1,978)	(1,044)

d) Foreign currency risk

The Company does not have any foreign currency denominated exposures in respect of financial assets and financial liabilities as at the balance sheet date that will result in net currency gains or losses in the statement of profit and loss due to change foreign currency exchange rates.

e) Price risk

The Company does not have exposures in respect of financial assets and financial liabilities as at balance sheet date that will result in changes in statement of profit or loss or equity due to change in prices.

37. Related party transactions (As per Ind AS 24)

(a) Parent entities

The company is controlled by the following entity:

Name of the entity	Type	Place of incorporation
HSBC InvestDirect (India) Limited	Holding Company	India
HSBC Securities and Capital Markets (India) Private Limited	Intermediate holding company	India
The Hongkong and Shanghai Banking Corporation Limited	Intermediate holding company	Hong Kong
HSBC InvestDirect Securities (India) Private Limited	Subsidiary of intermediate holding company	India
HSBC Holdings Plc	Ultimate holding company	United Kingdom

(b) Transactions have taken place in the ordinary course of the business for the year:

Name of the entity	Relationship
The Hongkong and Shanghai Banking Corporation Limited - India Branches	Fellow Subsidiary
HSBC Electronic Data Processing India Private Limited	Fellow Subsidiary
HSBC InvestDirect Financial Services (India) Limited Employee Gratuity Trust	Post Employment Benefit Plan (PEBP)
HSBC Securities and Capital Markets (India) Private Limited	Intermediate holding company

(c) Key Managerial Personnel (KMP):

Mr. Shaantanu Shankar, Managing Director
Mr. Arvind Sethi - Director (resigned w.e.f. October 26, 2021)
Ms. Leena Gidwani - Director (resigned w.e.f. March 08, 2022)
Ms. Sharada Sangekar - Director (resigned w.e.f. February 08, 2022)
Mr. Madhur Malviya - Director
Mr. Vipul Malkan - Director (resigned w.e.f. April 01, 2021)
Mr. Deepak Sarup - Director (appointed w.e.f. February 09, 2022)
Mr. Brij Bhushan - Director (appointed w.e.f. January 19, 2022)
Mr. Payal Rajesh Advani - Director (appointed w.e.f. February 01, 2022)

(d) Transactions during the year with related parties:

Particulars	Parent entities	Fellow Subsidiaries	KMP	PEBP	Intermediate holding company	Ultimate holding company
Interest on Line of Credit	93,101 (115,113)	-	(-)	(-)	(-)	(-)
Professional fees	(-)	1,127 (1,961)	(-)	(-)	597 (316)	(-)
Rent	(-)	12,301 (9,944)	(-)	(-)	(-)	(-)
Employee Share awards	(-)	(-)	(-)	(-)	(-)	(171)
Repair and Maintenance	61 (49)	(-)	(-)	(-)	(-)	(-)
Miscellaneous expenses	(-)	896 (1,041)	(-)	(-)	(-)	(-)
Fixed deposits placement	(-)	(1,825,400)	(-)	(-)	(-)	(-)
Fixed deposits redemption	(-)	(2,153,400)	(-)	(-)	(-)	(-)
Director sitting fees	(-)	(-)	575 (725)	(-)	(-)	(-)
Contribution to gratuity trust	(-)	(-)	(-)	312 (1,911)	(-)	(-)
Margin deposit placed	(-)	(-)	(-)	(-)	38,100 89,500	(-)
Margin deposit refunded	(-)	(-)	(-)	(-)	40,600 (237,000)	(-)
Security deposit placed	(-)	2,419 (-)	(-)	(-)	(-)	(-)

Amounts in brackets represents amount relating to previous year.

37. Related party transactions (As per Ind AS 24) (Contd.)

(e) Outstanding balances at the year end with related parties:

Particulars		Parent entities	Fellow Subsidiaries	KMP	PEBP	Intermediate holding company	Ultimate holding company	Subsidiary of intermediate holding
Bank balance (in current account)	31-Mar-22	-	97	-	-	-	-	-
	31-Mar-21	-	686	-	-	-	-	-
Security deposits	31-Mar-22	-	6,998	-	-	-	-	-
	31-Mar-21	-	4,579	-	-	-	-	-
Margin deposits	31-Mar-22	-	-	-	-	-	-	-
	31-Mar-21	-	-	-	-	2,500	-	-
Receivable on account sale of collateral securities	31-Mar-22	-	-	-	-	-	-	-
	31-Mar-21	-	-	-	-	7,484	-	-
Investments	31-Mar-22	-	-	-	-	-	-	17,057
	31-Mar-21	-	-	-	-	-	-	-
Borrowings	31-Mar-22	1,620,000	-	-	-	-	-	-
	31-Mar-21	1,620,000	-	-	-	-	-	-
Trade payables	31-Mar-22	-	2,284	-	-	148	-	-
	31-Mar-21	-	1,640	-	-	132	151	-
Gratuity Payable to the Trust	31-Mar-22	-	-	-	1,393	-	-	-
	31-Mar-21	-	-	-	312	-	-	-

(All amounts in INR thousands, unless otherwise stated)

38 COVID-19

The spread of COVID-19 has severely impacted businesses around the globe. In many countries, including India, there has been severe disruption to regular business operations but now COVID-19 related situations are in control around the globe and economy is recovering gradually.

The Company is in the business of providing loans against securities and raising monies through borrowings. The Company has made an assessment of its liquidity position applying stress scenarios. The Company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements. The Company has further assessed the recoverability and carrying value of its assets comprising Loans and advances, investments, fixed assets, other receivables as at balance sheet date, and has concluded that there are no material adjustments required in the financial statements. However, due to impact of COVID-19 disruptions, the Company will continue to monitor any material changes to future economic conditions.

39 Core Investment Company (CIC) as part of group companies

The Company is wholly owned subsidiary of HSBC InvestDirect (India) Private Limited "formerly known as HSBC InvestDirect (India) Limited" (HIDL). HIDL was incorporated on September 1, 1997 and principal activity of HIDL is investing in and providing loans to subsidiaries, associates and employees' welfare trusts. Based on RBI CIC regulations and amendments thereto, the Company does not meet criteria of Systemically Important CICs (CIC-ND-SI) and consequently does not require registration with RBI.

There are no other CICs within the group.

40 Utilisation of Borrowed funds and share premium

A. The Company has not advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall

- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
- (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

B. The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall

- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
- (ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

41 Commercial Paper Listing:

The Company was required to list its Commercial Papers (CP) on stock exchanges as a result of the SEBI circular SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 1, 2019 which mandated mutual funds to invest in only listed debt instruments including CPs. Accordingly, the Company has complied with the requirements issued by SEBI under the framework for listing of CPs vide circular SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 and as implemented by stock exchanges.

42. Comparison between provisions required under IRACP and impairment allowances made under Ind AS 109

(All amounts in INR thousands, unless otherwise stated)

As at March 31, 2022

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	5 = 3-4	6	7 = 4-6
Performing Assets						
Standard	Stage 1	8,582,285	858	8,581,427	34,329	(33,471)
	Stage 2	-	-	-	-	-
Subtotal		8,582,285	858	8,581,427	34,329	(33,471)
Non-Performing Assets						
Substandard	Stage 3	-	-	-	-	-
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	Stage 1	8,582,285	858	8,581,427	34,329	(33,471)
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	Total	8,582,285	858	8,581,427	34,329	(33,471)

As at March 31, 2021

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	5 = 3-4	6	7 = 4-6
Performing Assets						
Standard	Stage 1	5,967,653	597	5,967,056	23,871	(23,274)
	Stage 2	-	-	-	-	-
Subtotal		5,967,653	597	5,967,056	23,871	(23,274)
Non-Performing Assets						
Substandard	Stage 3	-	-	-	-	-
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	Stage 1	5,967,653	597	5,967,056	23,871	(23,274)
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	Total	5,967,653	597	5,967,056	23,871	(23,274)

43 NBFC disclosures (Continued)

(Amount in Rs crore)

10. Exposures:

Exposure to Capital Market

Particulars	March 31, 2022	March 31, 2021
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds (the corpus of which is not exclusively invested in corporate debt);	-	-
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	30.83	40.30
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security *;	1285.41	870.53
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows / issues;	-	-
(viii) all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	1,316.24	910.83

* This exposure includes advances for any purposes secured by debt-oriented mutual funds and bonds.

The Company has no exposure to real estate sector in the current and previous year.

11. Details of financing of parent company products:

This disclosure is not applicable as the Company does not finance parent company products.

12. Single Borrower Limit (SGL) / Group Borrower Limit (GBL) are not exceeded by the Company.

13. Unsecured Advances – The Company has no Unsecured Advances in the current and previous year.

14. Registration obtained from other financial sector regulators:

The Company is registered with Ministry of Corporate Affairs.

15. Disclosure of Penalties imposed by RBI and other regulators:

No penalties were imposed by RBI and other regulators during current and previous year.

16. Ratings assigned by credit rating agencies and migration of ratings during the year:

Instrument category	March 31, 2022		March 31, 2021	
	Fitch Rating	S&P Global	Fitch Rating	S&P Global
Short term debt	IND A1+	-	IND A1+	-
Long term debt	IND AAA/ Stable	-	IND AAA/ Stable	-
Short term debt	-	CRISIL A1+	-	CRISIL A1+

17. Provisions and Contingencies

Particulars	March 31, 2022	March 31, 2021
Break up of 'Provisions and Contingencies' shown under the head Statement of Profit and Loss		
Provisions for depreciation on investment	-	-
Provision towards NPA	-	-
Provision made towards income tax	3.69	6.07
Other Provision and Contingencies (with details)	-	-
Provision made for impairment of trademark arrangements	-	-
Provision for Standard Assets	0.03	(0.00)

18. Draw Down from Reserves:

There has been no draw down from reserves during the current and previous year.

19. Concentration of Advances and Exposures:

Particulars	March 31, 2022	March 31, 2021
Concentration of Advances		
Total Advances to twenty largest borrowers	628.26	515.63
% of Advances to twenty largest borrowers to Total Advances	73%	86%
Concentration of Exposures		
Total Exposure to twenty largest borrowers / customers	817.00	770.00
% of Exposures to twenty largest borrowers / customers to Total Exposure	56%	59%
Concentration of NPAs		
Total Exposure to top four NPA accounts	-	-

Particulars	March 31, 2022	March 31, 2021
Sector-wise NPAs (% of NPAs / Total Advances in that sector)		
Agriculture & allied activities	-	-
Micro, small and medium enterprises	-	-
Corporate borrowers	-	-
Services	-	-
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	-	-
Others	-	-

43 NBFC disclosures (Continued)

(Amount in Rs crore)

Category	Borrower group-wise classification of all Leased Assets, Stock on Hire and Loans and Advances (See Note 2)	March 31, 2022			March 31, 2021		
		Secured	Amount (Net of Provisions)		Secured	Amount (Net of Provisions)	
			Unsecured	Total		Unsecured	Total
1	Related Parties**	-	-	-	-	-	
	(a) Subsidiaries	-	-	-	-	-	
	(b) Companies in the same group	-	-	-	-	-	
	(c) Other related parties	-	-	-	-	-	
2	Other than related parties	858.14	-	858.14	596.71	-	
	Total	858.14	-	858.14	596.71	-	

** As per IND AS notified by Company Act, 2013

Category	Investor group-wise classification of all Investments (current and long term) in shares and securities (both quoted and unquoted) (Please see Note 3 below):	March 31, 2022:		March 31, 2021:	
		Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	(a) Subsidiaries	-	-	-	-
	(b) Companies in the same group	-	-	-	-
	(c) Other related parties	-	-	-	-
2	Other than related parties*	19.27	19.27	11.01	11.01
	Total	19.27	19.27	11.01	11.01

* Investment in MF scheme of HSBC group.

** As per IND AS notified by Company Act, 2013

Particulars	Other Information	March 31, 2022	March 31, 2021
		Amount	Amount
(i)	Gross Non-Performing Assets	-	-
	(a) Related Parties	-	-
	(b) Other than Related Parties	-	-
(ii)	Net Non-Performing Assets	-	-
	(a) Related Parties	-	-
	(b) Other than Related Parties	-	-
(iii)	Assets acquired in satisfaction of debts	-	-

Notes:

1. As defined in point six of paragraph 3 of Chapter -2 of these Directions.

2. Provisioning norms shall be applicable as prescribed in these Directions.

3. All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up / fair value / NAV in respect of unquoted investments shall be disclosed irrespective of whether they are classified as long term or current in (5) above.

22. Movement of Non Performing Assets (NPAs):

Particulars	March 31, 2022	March 31, 2021
(a) Net NPAs to Net Advances (Rs)	-	-
(b) Movement of NPAs (Gross)	-	-
	(i) Opening balance	-
	(ii) Additions during the year	-
	(iii) Reductions during the year	-
	(iv) Closing balance	-
(c) Movement of Net NPAs	-	-
	(i) Opening balance	-
	(ii) Additions during the year	-
	(iii) Reductions during the year	-
	(iv) Closing balance	-
(d) Movement of provisions for NPAs (excluding provisions on standard assets)	-	-
	(i) Opening balance	-
	(ii) Provisions made during the year	-
	(iii) (Write-off) / write-back	-
	(iv) Closing balance	-

23. In accordance with RBI Notification No. DNBS.CC.PD.No. 365/03.10.01/2013-14 dated January 8, 2014, the Company has not lent against gold jewellery during the year ended 31, March 2022 (Previous year: Rs. Nil)

24. Information on instances of fraud:

No instances of fraud observed in current and previous year.

25. The Company does not have any restructured accounts.

26. The Company does not have any Off-balance sheet SPVs sponsored.

27. During the current as well as previous year, the Company has not postponed revenue recognition on account of pending uncertainties.

28. The Company does not have any overseas joint venture / subsidiary.

29. Remuneration of Directors:

There is no pecuniary relationship or transactions of the non-executive directors vis-à-vis the company, other than director sitting fees as disclosed in note 27.

30. Ind AS 110 - Consolidated Financial Statements (CFS):

The company does not have any subsidiary and hence no consolidated financial statements required to be prepared under Ind AS 110.

43 Public disclosure on liquidity risk

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

As at March 31, 2022

Sr. No.	Number of significant counterparties	Amount (INR Crore)	% of Total Deposit	% of Total Liabilities *
1	Commercial Paper	282	NA	63.2%
2	Loan from holding company	162	NA	36.4%
3	Overdraft from Bank	-	NA	0.0%

As at March 31, 2021

Sr. No.	Number of significant counterparties	Amount (INR Crore)	% of Total Deposit	% of Total Liabilities *
1	Commercial Paper	25	NA	12.7%
2	Loan from holding company	162	NA	82.9%
3	Overdraft from Bank	3	NA	1.6%

(ii) Top 20 large deposits (amount in ₹ crore and % of total deposits) - Not Applicable

(iii) Top 10 borrowings (amount in ₹ crore and % of total borrowings)

Sr. No.	Type of Borrowing	As at March 31, 2022		As at March 31, 2021	
		Amount	% of borrowings	Amount	% of borrowings
1	Commercial paper	282	63.5%	25	13.0%
2	Loan from holding company	162	36.6%	162	85.4%
3	Overdraft from Bank	-	0.0%	3	1.6%
	Total	444	100%	190	100%

(iv) Funding Concentration based on significant instrument/product

Sr. No.	Number of Instrument / product	As at March 31, 2022		As at March 31, 2021	
		Amount (INR Crore)	% of Total Liabilities *	Amount (INR Crore)	% of Total Liabilities *
1	Commercial paper	282	63.2%	25	12.7%
2	Loan from holding company	162	36.4%	162	82.9%
3	Overdraft from Bank	-	0.0%	3	1.6%

(v) Stock Ratios:

Sr. No.	Particulars	March 31, 2022	March 31, 2021
1	Commercial Paper To Total Public Funds	NA	NA
2	Commercial Paper To Total Liabilities*	63.2%	12.7%
3	Commercial Paper To Total Assets	30.1%	9.7%
4	NCD (original maturity < 1 year) To Total Public Funds	NA	NA
5	NCD (original maturity < 1 year) To Total Liabilities*	NA	NA
6	NCD (original maturity < 1 year) To Total Assets	NA	NA
7	Other short-term liabilities To Total Public Funds	NA	NA
8	Other short-term liabilities To Total Liabilities*	0.4%	3.6%
9	Other short-term liabilities To Total Assets	0.2%	1.1%

(vi) Institutional set-up for liquidity risk management

HSBC InvestDirect Financial Services (India) Limited has Board approved policy for managing its liquidity risk. The liquidity risk would be monitored in Asset Liability Management Committee / Risk Management Committee on a monthly basis.

* Total Liabilities is excluding Equity and reserves.

In terms of our report for even date.

For Price Waterhouse Chartered Accountants LLP
Firm's Registration No: 012754N/NS00016

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Date: 2022.05.30
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Russell I Parera
Partner
Membership No: 042190

Mumbai
May 30, 2022

For and on behalf of the Board of Directors
HSBC InvestDirect Financial Services (India) Limited.

**DEEPAK
SARUP**
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DEEPAK SARUP
Date: 2022.05.30
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Deepak Sarup
Chairperson
(DIN 09494760)

**SUNITA
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SUNITA ALOK
SARDA
Date: 2022.05.30
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Sunita Sarada
Chief Financial Officer

Mumbai
May 30, 2022

**SHANTANU
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SHANKAR**
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SHANTANU U
SHANKAR
Date: 2022.05.30
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Shantanu Shankar
Managing Director
(DIN 08054929)

**SNEHA
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SNEHA DEVANG
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Date: 2022.05.30
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Sneha Doshi
Company Secretary

FINANCIAL STATEMENTS OF
HSBC INVESTDIRECT
FINANCIAL SERVICES (INDIA)
LIMITED
FOR THE FINANCIAL YEAR
2020-2021

Price Waterhouse Chartered Accountants LLP

Independent auditors' report

To the Members of HSBC InvestDirect Financial Services (India) Limited

Report on the audit of the financial statements

Opinion

1. We have audited the accompanying financial statements of HSBC InvestDirect Financial Services (India) Limited ("the Company"), which comprise the balance sheet as at March 31, 2021, and the statement of Profit and Loss (including Other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

Basis for opinion

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

Other Information

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report, but does not include the financial statements and our auditor's report thereon.

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

Price Waterhouse Chartered Accountants LLP, Nesco IT Building III, 8th Floor, Nesco IT Park, Nesco Complex Gate No. 3 Western Express Highway, Goregaon East, Mumbai - 400 063
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Registered office and Head office: Sucheta Bhawan, 11A Vishnu Digambar Marg, New Delhi 110 002
Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LUFN AAC-5001) with effect from July 25, 2014. Post its conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 0127548/RS00016 (ICAI registration number before conversion was 0127548)

Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on audit of the Financial Statements
Page 2 of 4

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

5. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

7. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
8. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on audit of the Financial Statements
Page 3 of 4

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(f) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
9. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

11. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
12. As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Statement of cash flows dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.

Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on audit of the Financial Statements
Page 4 of 4

- (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations which would impact its financial position.
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts – Refer Note 5 and 36.1 to the financial statements. The Company did not have any derivative contracts.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2021.
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2021.
13. During the year ended March 31, 2021 the Company has not paid/provided any managerial remuneration under the provisions of Section 197 read with Schedule V to the Act. Accordingly, reporting under Section 197(16) of the Act is not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

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PARERA Date: 2021.06.28 11:02:08 +05'30'

Russell I Parera

Partner

Membership Number : 042190

UDIN: 21042190AAAACY1851

Mumbai

June 28, 2021

Price Waterhouse Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements for the year ended March 31, 2021

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of HSBC InvestDirect Financial Services (India) Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Price Waterhouse Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements for the year ended March 31, 2021

Meaning of Internal Financial Controls with reference to financial statements

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

Inherent Limitations of Internal Financial Controls with reference to financial statements

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

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

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Date: 2021.06.28
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Russell I Parera
Partner
Membership Number: 042190

UDIN: 21042190AAAACY1851

Mumbai
June 28, 2021

Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2021

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
(c) The title deeds of immovable properties, as disclosed in Note 9 – Property, Plant and Equipment on fixed assets to the financial statements, are held in the name of the Company.
- ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act, to the extent applicable, in respect of the loans or investments made, or guarantees or security provided by it.

The Company has not granted any loans or provided any guarantee or security, in connection with any loans taken by the parties covered under Section 185 of the Act. Therefore, the provisions of section 185 of the Act are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, income tax, goods and service tax and other material statutory dues, as applicable, with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax or goods and service tax which have not been deposited on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.

Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2021.

- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. During the year ended March 31, 2021, the Company has not paid/ provided for any managerial remuneration under the provisions of Section 197 read with Schedule V to the Act. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable to the Company. Also refer paragraph 13 of our main audit report.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind-AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with them. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is required to, and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a Non-Banking Financial Institution.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

Chartered Accountants

RUSSELL IVAN
PARERA

Russell I Parera

Partner

Membership Number: 042190

UDIN: 21042190AAAACY1851

Mumbai

June 28, 2021

H5BC InvestDirect Financial Services (India) Limited
Balance sheet as at March 31, 2021

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	3	1,476	344,019
Bank balance other than cash and cash equivalents	4	405,313	263,108
Loans	5	5,967,056	6,019,694
Investments	6	110,080	1,478,479
Other financial assets	7	14,713	154,729
Non-financial assets			
Current tax assets (Net)	8	152,426	141,689
Deferred tax assets (Net)	18	2,630	2,980
Property, plant and equipment	9	3,564	1,889
Intangible assets under development / CWIP	10	3,400	3,400
Other non-financial assets	11	3,452	3,829
Total assets		6,664,110	8,413,816
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables			
(i) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises			
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises			
Debt securities	13	247,439	2,220,322
Borrowings (other than debt securities)	14	1,650,847	1,620,000
Other financial liabilities	15	9,638	794
Non-financial Liabilities			
Current tax liabilities (Net)	16	15,311	10,686
Provisions	17	17,038	18,637
Other non-financial liabilities	19	2,607	2,627
EQUITY			
Equity share capital	20	1,462,847	1,462,847
Other equity	21	3,246,920	3,068,536
Total equity		4,709,767	4,531,383
Total liabilities and equity		6,664,110	8,413,816

The above balance sheet should be read in conjunction with the accompanying notes.
This is the balance sheet referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

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Date: 2021.06.28
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Russell I Parera
Partner
Membership No: 042190

Mumbai
June 28, 2021

For and on behalf of the Board of Directors of
H5BC InvestDirect Financial Services (India) Limited

**SHARAD
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Sharada Sangekar
Chairperson
(DIN 07788255)

**SUNITA
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Sunita Sarada
Chief Financial Officer

Mumbai
June 28, 2021

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Shantanu Shankar
Managing Director
(DIN 08054929)

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Sneha Doshi
Company Secretary

HSBC InvestDirect Financial Services (India) Limited
Statement of Profit and Loss for the year ended March 31, 2021

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	Mar 31, 2021	Mar 31, 2020
Revenue from operations			
Interest income	22(a)	460,329	688,675
Reversal of impairment on financial instruments	26	5	28,384
Net gain on fair value changes	22(b)	30,187	6,836
Total revenue from operations		490,521	723,895
Other income	23	8	24,281
Total income		490,529	748,176
Expenses			
Finance costs	24	160,908	295,719
Employee benefits expenses	25	40,143	40,554
Depreciation and amortisation	9 & 10	1,112	1,764
Others expenses	27	49,546	51,294
Total expenses		251,709	389,331
Profit before tax		238,820	358,845
Income tax expense:			
- Current tax	28	60,396	85,693
- Deferred tax	28	350	9,624
Total tax expense		60,746	95,317
Profit for the year		178,074	263,528
Other comprehensive Income			
i) Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations	30	414	(782)
- Changes in the fair value of equity investments at FVOCI *		(104)	197
ii) Income tax relating to items that will not be reclassified to profit or loss		310	(585)
Other comprehensive profit/(loss) for the year		310	(585)
Total comprehensive income for the year		178,384	262,943
Earnings per equity share (Nominal value of Rs. 10 per share)			
- Basic and Diluted (Rs.)		1.22	1.80

* There is no deferred tax impact on these fair value changes

The above statement of profit and loss should be read in conjunction with the accompanying notes.
This is the Statement of Profit and Loss referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

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Russell I Parera
Partner
Membership No: 042190

Mumbai
June 28, 2021

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

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Sharada Sangekar
Chairperson
(DIN 07788255)

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Sunita Sarada
Chief Financial Officer

Mumbai
June 28, 2021

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Shantanu Shankar
Managing Director
(DIN 08054929)

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Sneha Doshi
Company Secretary

HSC InvestDirect Financial Services (India) Limited
Statement of changes in equity as at March 31, 2021

(All amounts in INR thousands, unless otherwise stated)

A. Equity share capital

Particulars	Number of shares	Amount
As at March 31, 2021	146,284,720	1,462,847
As at March 31, 2020	146,284,720	1,462,847

B. Other equity

Particulars	Reserves and surplus				Other reserves Equity Instruments through Other Comprehensive Income	Total other equity
	Securities premium	Statutory reserve	Impairment reserve	General reserve		
As at March 31, 2019	1,934,680	339,030	-	17,000	514,883	2,805,593
Profit for the period	-	-	-	-	263,528	263,528
Other comprehensive income	-	-	-	-	(585)	(585)
Total comprehensive income for the year	-	-	-	-	262,943	262,943
Transfer to Special Reserve under section 45-1C of the RBI Act	-	52,706	-	-	(52,706)	0
Transfer to Retained Earnings	-	-	23,479	-	(23,479)	0
As at March 31, 2020	1,934,680	391,736	23,479	17,000	701,641	3,068,536
Profit for the period	-	-	-	-	178,074	178,074
Other comprehensive income	-	-	-	-	310	310
Total comprehensive income for the year	-	-	-	-	178,384	178,384
Transfer to Special Reserve under section 45-1C of the RBI Act	-	35,614	-	-	(35,614)	-
Transfer to Impairment Reserve	-	-	1,028	-	(1,028)	-
As at March 31, 2021	1,934,680	427,350	24,507	17,000	843,383	3,246,920

The above statement of changes in equity should be read in conjunction with the accompanying notes.
This is the Statement of changes in equity referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP

Firm Registration No: 01275/IN/NS00016

**RUSSELL
IVAN
PARERA**
Partner
Membership No. 042130

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DN: cn=2021.06.28,
210423+0530

Mumbai

June 28, 2021

For and on behalf of the Board of Directors of
HSC InvestDirect Financial Services (India) Limited

**SHARADA
SAGAR
SANGEKAR**
Chairperson
(DIN-07788255)

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Mumbai

June 28, 2021

**SHANTANU
SHANKAR**
Managing Director
(DIN 08054929)

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190320+0530

Mumbai

June 28, 2021

**SUNITA
ALOK
SARDA**
Chief Financial Officer

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June 28, 2021

**SNEHA
DEVANG
DOSHI**
Company Secretary

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Mumbai

June 28, 2021

HSBC InvestDirect Financial Services (India) Limited
Statement of cash-flows for the year ended March 31, 2021

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	March 31, 2021	March 31, 2020
CASH FLOW FROM OPERATING ACTIVITIES :			
Profit before tax:		238,820	358,845
Adjustments:			
Depreciation and amortisation	8 & 10	1,112	1,764
Impairment on financial instruments	26	(5)	(28,384)
Interest accrued on debt securities		183	23,744
Interest income on bank deposits	22(a)	(21,683)	(22,574)
Unrealised gain on mutual fund		(42)	(4,543)
Realised gain on mutual fund		(30,145)	(2,293)
Interest on income tax refund	23	-	(23,723)
Operating profit before working capital changes		188,240	302,836
Adjustments for working capital changes:			
Loans	5	52,643	1,275,363
Bank balance other than cash and cash equivalent	4	(555)	(166)
Other financial assets	7	140,016	(150,190)
Property, plant and equipment	9	(2,787)	-
Intangible assets under development	10	-	(3,400)
Other non-financial assets	11	377	(1,525)
Adjustments for Increase/ (decrease) in operating liabilities:			
Trade payables	12	2,096	2,664
Other financial liabilities	15	8,844	(406)
Provisions	17	(1,185)	(178)
Other non-financial liabilities	19	(20)	51
Cash generated from operations		199,429	1,122,253
Less: income taxes paid (net of refunds)		(63,875)	(18,929)
Net cash inflow / (outflow) from operating activities		323,794	1,406,160
CASH FLOW FROM INVESTING ACTIVITIES :			
Placement of fixed deposit with bank		(231,600)	(1,914,950)
Proceeds from fixed deposit with bank		90,000	1,915,000
Interest income on bank deposits	22(a)	21,683	22,574
Purchase of fixed assets	9	(2,787)	-
Investment in mutual fund		(3,339,500)	(4,301,500)
Redemption in mutual fund		4,738,085	2,829,856
Net cash inflow / (outflow) from investing activities		1,275,881	(1,449,020)
CASH FLOW FROM FINANCING ACTIVITIES :			
Proceeds from borrowings		-	10,203,450
Repayment of borrowings		-	(10,169,850)
Proceeds from issue of debt securities		1,182,025	10,261,299
Repayment of debt securities		(3,155,091)	(9,795,237)
Net cash inflow / (outflow) from financing activities		(1,973,066)	499,662
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		(373,390)	456,802
Add: Cash and cash equivalents at beginning of the year		344,019	(112,784)
Cash and cash equivalents at end of the year		(29,371)	344,019

Reconciliation of cash and cash equivalents as per the cash flow statement

Cash and cash equivalents as per above comprise of the following

Particulars		As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents	3	1,476	344,019
Bank overdrafts	14	(30,847)	-
Balances as per statement of cash flows		(29,371)	344,019

Note:

(i) Amount spent in cash towards Corporate Social Responsibility is INR 5,466 (March 2020: 5,466)

(ii) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented. Refer note 14.

Particulars	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents, bank overdrafts	(29,371)	344,019
Liquid investments	116,080	1,478,479
Debt securities - commercial paper	(247,439)	(2,220,322)
Borrowings - loans from related parties	(1,620,000)	(1,620,000)
Net debt	(1,786,730)	(2,017,824)

The above statement of cash flows should be read in conjunction with the accompanying notes.

The above statement of cash flows has been prepared under the indirect method as set out in Ind AS 7 on Statement of Cash Flows.

This is the statement of cash flows referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/1500016

RUSSELL
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Date: 2021.06.28
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Russell I Parera
Partner
Membership No: 0421190

Mumbai
June 28, 2021

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

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Sharada Sangekar
Chairperson
(DIN 07788255)

SUNITA
ALOK
SARDA

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SUNITA ALOK
SARDA
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Sunita Sarada
Chief Financial Officer

Mumbai
June 28, 2021

SHANTANU
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SHANKAR

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Shantanu Shunker
Managing Director
(DIN 0804929)

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DOSHI

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Sneha Doshi
Company Secretary

1 Background

HSBC InvestDirect Financial Services (India) Limited ("HIFSL or the Company") is registered as a Non Banking Financial Company ("NBFC") (non-deposit accepting) as defined under section 45-IA of the Reserve Bank of India ("RBI") Act, 1934. The Company is a wholly owned subsidiary of HSBC InvestDirect (India) Limited.

The Company is domiciled in India and primarily engaged in the business of financing against securities including equity shares, bonds, mutual funds, sovereign bonds, Treasury bills and Government Securities. As per RBI circular dated February 22, 2019 on Harmonisation of different categories of NBFCs, the Company is classified as an Investment and Credit Company (NBFC - ICC). Prior to this circular, the Company was classified as a Loan Company.

2A Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

i) Basis of preparation

Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015], other relevant provisions of the Act and guidelines along with circulars issued by the RBI from time to time.

Historical cost convention

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

- certain financial assets and liabilities are measured at fair value; and
- defined benefit plans - plan assets are measured at fair value.

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing April 01, 2019:

- Ind AS 116, Lease accounting
- Uncertainty over Income Tax Treatments - Appendix C to Ind AS 12, Income Taxes
- Plan Amendment, Curtailment or Settlement - Amendments to Ind AS 19, Employee Benefits
- Amendment to Ind AS 12, Income Taxes
- Amendment to Ind AS 23, Borrowing Costs

The Company had to change its accounting policies as a result of adopting Ind AS 116. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Presentation

The Company is covered in the definition of Non-Banking Financial Company as defined in Companies (Indian Accounting Standards) (Amendment) Rules, 2016. The Company presents its financial statements in accordance with Division III of Schedule III to the Companies Act, 2013. A maturity analysis of recovery or settlement of assets and liabilities within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 34.

ii) Segment reporting

The Company's Chief Operating Decision Maker (CODM), who has the ability to evaluate performance and allocates resources, is the Managing Director (MD). In a manner consistent with the internal reporting provided to the MD for corporate planning, there are no separate reportable segments (including geographical segments).

iii) Property, plant and equipment

Freehold land is carried at historical cost. Items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value

Depreciation on the following assets has been based on the management's estimate of useful life/remaining useful life. The residual values are not more than 5% of the original cost of the asset.

(a) W.e.f September 2020, assets each costing INR 35000, previously INR 5000 or less are depreciated at 100% in the year of capitalisation.

(b) Useful life of other assets is estimated as under:

Category of assets	FY 2020-21		Useful lives prescribed in Schedule II (years)
	Useful lives followed by company (years)		
	Till August, 2021	From September 2021 till March 2021	
Office Equipments	5	5	5
Data Processing Equipments - Laptop	3	4	3
Data Processing Equipments - Servers	3	5	6

Category of assets	FY 2019-20	
	Useful lives followed by company (years)	Useful lives prescribed in Schedule II (years)
Office Equipments	5	5
Data Processing Equipments - Laptop	3	3
Data Processing Equipments - Servers	3	6

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2021 (Contd.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

iv) Intangible assets:

Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each financial year end, if the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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

Amortisation methods and periods

The company amortises intangible assets using the straight-line method over the following periods:

Category of assets	Useful lives followed by company (years)
Computer Softwares	3 years or license life

v) Investments & other financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

For investments in debt instruments, this will depend on the classification of debt instruments depending on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset (solely payments of principal and interest).

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the asset's performance and the business model is evaluated and reported to key management personnel
- the risks that affect the performance of the business model and how these risks are assessed and managed
- how managers are compensated.

As a second step of its classification process the Company assesses the contractual terms of financial instrument to identify whether they meet the SPPI test, where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit and loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition

Regular way of purchase and sales of financial assets are recognised on trade date (the date on which the Company commits purchase or sale of financial asset).

(c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Debt Instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit and loss.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows or for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in statement of profit and loss.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in profit and loss.

Equity Instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial liabilities and equity instrument

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

Financial liabilities

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in profit or loss. Any gain or loss on de-recognition of financial liabilities is also recognised in profit or loss. Undrawn loan commitments are not recorded in the balance sheet.

(d) Impairment of financial assets

The company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 36 details how the company determines whether there has been a significant increase in credit risk.

The company hold impairment allowances as required by Ind AS. The company also maintain the asset classification and compute provisions as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) including borrower/beneficiary wise classification, provisioning for standard as well as restructured assets, NPA ageing, etc. A comparison between provisions required under IRACP and impairment allowances made under Ind AS 109 should be disclosed by the company in note 40.

In line with the requirements of the Companies Act and RBI guidelines, an ECL policy is designed to assess and provide for impairment allowance on the credit exposures based on the projected 12 M expected loss model. The provisioning is dependent on the portfolio mix, nature of product ad loan, impairments based sound judgment and estimates. The policy broadly defines the methodology of the ECL model, its impact on the impairment provisioning and accounting treatment, its impact on the regulatory capital and ratios. The model compares the provisioning under the RBI prudential guidelines and standard asset provisioning guidelines to arrive at fair estimate of provisioning of Impairment allowance.

(e) Derecognition

Financial assets

A financial asset is derecognised only when

1. The company has transferred the rights to receive cash flows from the financial asset or
2. retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the company has not retained control of the financial asset. Where the company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in profit and loss.

(f) Income recognition

Interest income

Interest income from financial assets at fair value through profit or loss is disclosed as interest income under revenue from operations. Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method is recognised in the statement of profit and loss under revenue from operations.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

v) Employee Benefits

(a) Short-term obligations

Liabilities for salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as employee benefit obligations in the balance sheet.

(b) Post employment obligations

The Company operates the following post-employment schemes:

- defined benefit plans such as gratuity and
- defined contribution plans such as provident fund.

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2021 (Contd.)

(1) Defined benefit plans (Gratuity)

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(2) Provident fund

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.

(c) Bonus

The Company recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

vii) Income Tax:

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity; in this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

viii) Cash and cash equivalents:

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in financial liabilities in the balance sheet.

ix) Special Reserve:

In accordance with section 45-IC of the RBI Act, 1934, the Company creates a reserve fund and transfers therein a sum not less than twenty percent of its net profit before any dividend is declared every year end, and is disclosed in the other equity.

x) Provisions and Contingent Liabilities:

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent Liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or reliable estimate of the amount cannot be made, is termed and disclosed as contingent liability.

xi) Leases - as a lessee

Till March 31, 2019

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

With effect from April 1, 2019

Until FY 2018-19, leases of property, plant and equipment were classified as either finance leases or operating leases. From April 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-Use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

xii) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

1. the profit attributable to owners of the company
2. by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

1. the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
2. the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

xiii) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and trade and other payables are presented as financial liabilities.

xiv) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

xv) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss as other gains/(losses).

xvi) Standards issued but not yet effective

New standards or amendment to existing standards are effective only when notified by the Ministry of Corporate Affairs (MCA). As at the date of this publication, there are no new standards or amendments which have been notified by the MCA but not yet adopted by the Company.

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2021. (Contd.)

xvii) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousands as per the requirement of Schedule III, unless otherwise stated.

2B Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates of judgements are:

- Estimation of current tax expense and current tax payable
- Estimation of defined benefit obligation
- Recognition of deferred tax assets for carried forward tax losses
- Estimation of expected credit losses

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2021 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

3 Cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Balances with banks in current account	1,476	16,969
Deposits with maturity less than 3 months	-	327,050
Total	1,476	344,019

4 Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Deposits with maturity more than 3 months but less than 12 months (held as lien against overdraft from bank)*#	405,313	263,108
Total	405,313	263,108

* Includes accrued interest on deposit with bank for March 31, 2021: 3,713; March 31, 2020: 3,108

Includes deposits which are held as lien against bank overdraft. As at March 31, 2021: 401,600; March 31, 2020: 260,000

5 Loans (measured at amortised cost)

Particulars	As at March 31, 2021	As at March 31, 2020
Loans against securities*	5,967,653	6,020,296
Total (A) - Gross	5,967,653	6,020,296
(Less): Impairment loss allowance	(597)	(602)
Total (A) - Net	5,967,056	6,019,694
Secured by tangible assets (by way of pledge over securities)	5,967,653	6,020,296
Total (B) - Gross	5,967,653	6,020,296
(Less): Impairment loss allowance	(597)	(602)
Total (B) - Net	5,967,056	6,019,694
Loans in India		
- Public sector	-	-
- Others	5,967,653	6,020,296
Total (C) - Gross	5,967,653	6,020,296
(Less): Impairment loss allowance	(597)	(602)
Total (C) - Net	5,967,056	6,019,694

* Includes interest accrued but not due for March 31, 2021: 45,972; March 31, 2020: 32,986

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2021 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

6 Investments

Particulars	Fair value through profit & loss	Fair value through other comprehensive income	Total
As at March 31, 2020			
Mutual Fund	1,478,479	-	1,478,479
-HSBC InvestDirect Securities (India) Private Limited	-	-	-
Total (A) - Gross	1,478,479	-	1,478,479
Investments outside India	-	-	-
Investments in India	1,478,479	-	1,478,479
Total (B) - Gross	1,478,479	-	1,478,479
Total - Gross	1,478,479	-	1,478,479
(Less): Impairment loss allowance (C)	-	-	-
Total (D) - Net	1,478,479	-	1,478,479
As at March 31, 2021			
Mutual Fund	110,080	-	110,080
HSBC InvestDirect Securities (India) Private Limited*	-	-	-
Total (A) - Gross	110,080	-	110,080
Investments outside India	-	-	-
Investments in India	110,080	-	110,080
Total (B) - Gross	110,080	-	110,080
Total - Gross	110,080	-	110,080
(Less): Impairment loss allowance (C)	-	-	-
Total (D) - Net	110,080	-	110,080

* The Company has measured its investment in HSBC InvestDirect Securities (India) Private Limited at fair value through other comprehensive income, since the Company is no longer an associate company as per IND AS 28. The fair value of this investment on initial recognition is estimated at Nil amount.

(All amounts in INR thousands, unless otherwise stated)

7 Other financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
Security deposits	4,579	4,579
Margin deposits	2,500	150,000
CDSL deposit	150	150
Receivable on account of sale of collateral securities	7,484	-
Total	14,713	154,729

8 Current tax assets (Net)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance tax and tax deducted at source (net of provision for tax 550,643, March 31 2020: 588,143)	152,426	141,689
Total	152,426	141,689

9 Property, plant and equipment

Particulars	Own Assets			Total
	Land	Data processing machineries	Office Equipments	
Gross carrying amount				
Opening gross carrying amount	378	5,358	219	5,955
Additions	-	60	507	567
Disposals and transfers	-	-	-	-
Closing gross carrying amount	378	5,418	726	6,522
Accumulated depreciation				
Opening accumulated depreciation	-	2,907	214	3,121
Depreciation charge during the year	-	1,482	30	1,512
Disposals and transfers	-	-	-	-
Closing accumulated depreciation	-	4,389	244	4,633
Net carrying amount as at March 31, 2020	378	1,029	482	1,889
Gross carrying amount				
Opening gross carrying amount	378	5,418	726	6,522
Additions	-	2,787	-	2,787
Disposals and transfers	-	-	-	-
Closing gross carrying amount	378	8,205	726	9,309
Accumulated depreciation				
Opening accumulated depreciation	-	4,389	244	4,633
Depreciation charge during the year	-	1,012	100	1,112
Disposals and transfers	-	-	-	-
Closing accumulated depreciation	-	5,401	344	5,745
Net carrying amount as at March 31, 2021	378	2,804	382	3,564

On account of change in the estimated life of above assets w.e.f. September 2020, the carrying amount of assets and profit before tax of the company is higher by 276. Consequently, profit after tax and equity is higher by 207. The future impact of the change in accounting estimate can not be ascertained.

10 Intangible assets

Particulars	Computer softwares
Gross carrying amount	
Opening gross carrying amount	1,233
Additions	-
Disposals and transfers	-
Closing gross carrying amount	1,233
Accumulated amortisation	
Opening accumulated amortisation	982
Amortisation during the period	251
Disposals and transfers	-
Closing accumulated amortisation	1,233
Net carrying amount as at March 31, 2020	-
Gross carrying amount	
Opening gross carrying amount	1,233
Additions	-
Disposals and transfers	-
Closing gross carrying amount	1,233
Accumulated amortisation	
Opening accumulated amortisation	1,233
Amortisation during the period	-
Disposals and transfers	-
Closing accumulated amortisation	1,233
Net carrying amount as at Mar 31, 2021	-

Intangible assets under development

Gross carrying amount	
Opening gross carrying amount	3,400
Additions	-
Disposals and transfers	-
Closing gross carrying amount as at March 31, 2020	3,400
Gross carrying amount	
Opening gross carrying amount	3,400
Additions	-
Disposals and transfers	-
Closing gross carrying amount as at March 31, 2021	3,400

11 Other non-financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
Prepayments	3,452	3,829
Total	3,452	3,829

(All amounts in INR thousands, unless otherwise stated)

12. Trade payables

Particulars	As at March 31, 2021	As at March 31, 2020
- Total outstanding dues of micro enterprises and small enterprises	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	11,463	9,367
Total	11,463	9,367

The below information as required under the Micro, Small and Medium Enterprises Development Act, 2005 (MSMED Act) has been determined to the extent such parties have been identified on the basis of information received from suppliers regarding their status under the said Act as available with the Company.

Particulars	As at March 31, 2021	As at March 31, 2020
Outstanding principal amount and interest due to suppliers registered under MSMED Act and remaining unpaid at the year end:		
- Principal amount	-	-
- Interest due thereon	-	-
Interest paid other than under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Interest paid under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Amount of the payment made to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Amount of interest due and payable (where the principal has already been paid but interest has not been paid).	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of MSMED Act.	-	-

13 Debt securities:

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Unsecured:		
- Commercial paper	247,439	2,220,322
Total (A)	247,439	2,220,322
Debt securities in India	247,439	2,220,322
Debt securities outside India		
Total (B)	247,439	2,220,322

Terms of repayment schedule of debt securities:-

Instrument with repayment terms	Maturity Date	31-Mar-21		
		Interest Rate Range (% p.a.)	Carrying amount	Face Value
Commercial paper Repayable at Maturity	24-06-2021	4.50%	247,439	250,000
Total			247,439	250,000

Instrument with repayment terms	Maturity Date	31-Mar-20		
		Interest Rate Range (% p.a.)	Carrying amount	Face Value
Commercial paper Repayable at Maturity	04-03-2020	7.80%	730,708	750,000
	11-06-2020	6.60%	499,684	500,000
	22-04-2020	7.20%	895,930	1,000,000
Total			2,220,322	2,250,000

14 Borrowings (other than debt securities)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Secured		
Loan repayable on demand - Overdraft from Bank ^h Interest rate ranges from 6.25% to 6.41% for Apr 20 to Mar 21 (Interest rate is 8.14% for FY 2019-20).	30,847	-
Unsecured		
Loans from related parties: Loan from the holding company [§] Interest rate ranges 5.80% p.a. to 7.30% p.a. for Apr 20 to Mar 21 (5.54% p.a. to 7.98% p.a. for FY 2019-20)	1,620,000	1,620,000
Total (A)	1,650,847	1,620,000
Borrowings in India	1,650,847	1,620,000
Borrowings outside India		
Total (B)	1,650,847	1,620,000

^h Fully secured against fixed deposit (note 4)

[§] The tenure of the loan is 36 months from the date of respective disbursement with bullet repayment on maturity or at the option of the borrower.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

Particulars	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents, bank overdrafts	(29,371)	344,019
Liquid investments	110,080	1,478,479
Debt securities - commercial paper	(247,439)	(2,220,322)
Borrowings - loans from related parties	(1,620,000)	(1,620,000)
Net debt	(1,786,730)	(2,017,824)

Particulars	Cash and cash equivalents, overdraft	Liquid investments	Debt securities - commercial paper	Borrowings - loans from related parties
Net debt as at April 1, 2019	(112,784)	-	(1,730,517)	(1,586,400)
Cash flows movement (net)	456,802	1,478,479	(466,052)	(93,600)
Interest expense	(968)	-	(218,507)	(73,702)
Interest paid	658	-	194,764	73,702
Other non-cash movements	-	-	-	-
- Fair value adjustments	-	-	-	-
- Unamortised discount	-	-	-	-
- Acquisitions/disposals	-	-	-	-
Net debt as at March 31, 2020	344,019	1,478,479	(2,220,322)	(1,620,000)
Cash flows movement (net)	(373,390)	(1,368,399)	1,973,066	-
Interest expense	(443)	-	(45,092)	(115,113)
Interest paid	443	-	44,909	115,113
Other non-cash movements	-	-	-	-
- Fair value adjustments	-	-	-	-
- Unamortised discount	-	-	-	-
- Acquisitions/disposals	-	-	-	-
Net debt as at March 31, 2021	(29,371)	110,080	(247,439)	(1,620,000)

15 Other financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Employee benefits payable	1,323	794
Payable to customer on account of		
- Moratorium	831	-
- Pending settlement	7,484	-
Total	9,638	794

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2021 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

16 Current tax liabilities (Net)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for income tax (net of advance tax 377,295, March 31, 2020: 277,222)	15,311	10,686
Total	15,311	10,686

17 Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
-Leave obligation	553	553
-Gratuity (Refer Note 30)	312	1,911
Provision for property tax*	16,173	16,173
Total	17,038	18,637

* The movement in provision for property tax is as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Opening balance	16,173	16,173
Additions during the year	-	-
Amounts used	-	-
Unused amounts reversed	-	-
Closing balance	16,173	16,173

18 Deferred tax assets (Net)

Particulars	As at March 31, 2021	As at March 31, 2020
Depreciation/amortization - property, plant and equipment/ Intangible asset	2,120	2,480
Employee's benefit obligations	210	200
Provision	140	140
Impairment allowance for loans	160	160
Net deferred tax asset/ (liability)	2,630	2,980

19 Other non-financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory dues payable including provident fund and tax deducted at source	2,607	2,627
Total	2,607	2,627

20. Equity share capital

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	Rs.	Number of shares	Rs.
Authorised shares Equity shares of Rs. 10 each	147,000,000	1,470,000	147,000,000	1,470,000
Issued, subscribed & fully paid-up shares Equity shares of Rs. 10 each	146,284,720	1,462,847	146,284,720	1,462,847
Total	146,284,720	1,462,847	146,284,720	1,462,847

a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year.

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	Rs.	Number of shares	Rs.
Outstanding at the beginning of the period/year	146,284,720	1,462,847	146,284,720	1,462,847
Shares issued during the period/year	-	-	-	-
Outstanding at the end of the period/year	146,284,720	1,462,847	146,284,720	1,462,847

b) Terms and rights attached to equity shares

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

c) Shares of the Company held by the holding company

Equity shareholders	As at March 31, 2021		As at March 31, 2020	
	Number of shares	% holding	Number of shares	% holding
HSBC InvestDirect (India) Limited, the holding company & its nominees	146,284,720	100	146,284,720	100

d) Details of shareholders holding more than 5% of the shares in the Company

Equity shareholders	As at March 31, 2021		As at March 31, 2020	
	Number of shares	% holding	Number of shares	% holding
HSBC InvestDirect (India) Limited, the holding company & its nominees	146,284,720	100	146,284,720	100

For the Company's capital management policy, refer Note 33

21 Other equity

(All amounts in INR thousands, unless otherwise stated)

A Reserves and surplus

Particulars	As at March 31, 2021	As at March 31, 2020
Securities premium		
Opening balance	1,934,680	1,934,680
Add : Changes during the year	-	-
Closing balance	1,934,680	1,934,680
Statutory reserve		
Opening balance	391,736	339,030
Add : Changes during the year	35,614	52,706
Closing balance	427,350	391,736
Impairment reserve		
Opening balance	23,479	-
Add : Changes during the year	1,028	23,479
Closing balance	24,507	23,479
General reserve		
Opening balance	17,000	17,000
Add : Changes during the year	-	-
Closing balance	17,000	17,000
Retained earnings		
Opening balance	701,641	514,883
Add : Changes during the year	178,074	263,528
(Less) : Appropriation in special reserve	(35,614)	(52,706)
(Less) : Appropriation in impairment reserve	(1,028)	(23,479)
(Items of other comprehensive income recognised directly in retained earnings)		
(Less) : Remeasurements of post-employment benefit obligation, net of tax	310	(585)
Add/(Less) : Transfer to retained earnings of FVOCI equity instruments	-	-
Closing balance	843,383	701,641
Total Reserves and surplus	3,246,920	3,068,536

B Other reserves

Particulars	As at March 31, 2021	As at March 31, 2020
Equity Instruments through Other Comprehensive Income		
Opening balance	-	-
Add/(Less) : Changes during the year	-	-
Transfer of gain to Retained Earnings	-	-
Total other reserves	-	-
Total other equity	3,246,920	3,068,536

Nature and purpose of other equity

a) Securities premium

Securities premium is used to record the premium on issue of shares. This is to be utilised in accordance with the provisions of the Companies Act, 2013.

b) Statutory reserve

Special reserve represents appropriation of retained earning as per Section 45 1C of the Reserve Bank of India Act, 1934. No appropriation of any sum from the statutory reserve fund shall be made by the NBFC except for the purpose as may be specified by the RBI from time to time.

c) General reserve

The general reserve is created by transfer from retained earnings as per the provision of the Companies Act. It can be used in accordance with the provisions of the Companies Act.

d) Retained earnings

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

e) Impairment reserve

As per circular number RBI/2019-20/170 dated March 13, 2020, an Impairment Reserve is created when impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), the company shall appropriate the difference from their net profit or loss after tax to a separate Impairment Reserve. As per the circular, the balance in the Impairment Reserve shall not be reckoned for regulatory capital.

f) FVOCI equity investments

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

HSBC InvestDirect Financial Services (India) Limited

Notes to financial statements for the year ended March 31, 2021 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

22(a) Interest Income

Particulars	Mar 31, 2021	Mar 31, 2020
On financial assets measured at Amortised costs:		
Interest on loans	437,799	666,101
Prepayment Fees	847	-
Interest on deposits with banks	21,683	22,574
Total	460,329	688,675

22(b) Net gain on fair value changes

Particulars	Mar 31, 2021	Mar 31, 2020
Others		
Net Gain/(loss) on financial instrument at fair value through profit or loss	30,187	6,836
Total (A)	30,187	6,836
Fair Value changes:		
Realised	30,145	2,293
Unrealised	42	4,543
Total (B)	30,187	6,836

23 Other Income

Particulars	Mar 31, 2021	Mar 31, 2020
Interest on income tax refund	-	23,723
Miscellaneous Income	8	558
Total	8	24,281

24 Finance costs

Particulars	Mar 31, 2021	Mar 31, 2020
On financial liabilities measured at amortised cost:		
Bank overdraft	443	968
Inter corporate deposits	115,113	73,701
Commercial Papers	45,092	218,507
Other Borrowing Costs	260	2,543
Total	160,908	295,719

25 Employee benefits expenses

Particulars	Mar 31, 2021	Mar 31, 2020
Salaries and wages	35,446	35,591
Contribution to provident and other funds (Refer note 30)	1,653	1,654
Gratuity (Refer note 30)	727	1,129
Staff welfare expenses	2,317	2,180
Total	40,143	40,554

26 Impairment on financial instruments

Particulars	Mar 31, 2021	Mar 31, 2020
On financial instruments measured at Amortised cost:		
Loans	(5)	(28,384)
Total	(5)	(28,384)

HSBC InvestDirect Financial Services (India) Limited

Notes to financial statements for the year ended March 31, 2021 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

27 Other expenses

Particulars	Mar 31, 2021	Mar 31, 2020
Rent [Refer Note (c) below]	9,944	11,790
Rates and taxes	899	1,236
Repairs and maintenance		
- Others	11,642	8,743
Insurance charges	838	956
Travelling and conveyance	66	756
Printing and stationery	8	87
Communication costs	538	434
Professional fees	8,707	10,151
Directors' sitting fees	725	825
Licence and fees	471	478
Stamping and Franking Charges	797	150
Membership and Subscription	1,032	736
Storage Charges	3,461	3,054
Contribution for corporate social responsibility (CSR) [Refer Note (b) below]	6,059	5,466
Auditors' remuneration [Refer Note (a) below]	4,257	6,014
Miscellaneous expenses	102	418
Total	49,546	51,294

a) Breakup of Auditors' remuneration

Particulars	Mar 31, 2021	Mar 31, 2020
Audit fees	3,029	3,029
Other services	1,000	2,800
Certification	165	65
Out-of-pocket expenses	63	120
Total	4,257	6,014

b) Contribution for corporate social responsibility (CSR)

Particulars	Mar 31, 2021	Mar 31, 2020
Amount required to be spent as per Section 135 of the Act	6,059	5,466
Amount spent during the year on:		
(i) Construction/acquisition of an asset		
(ii) On purposes other than (i) above	6,059	5,466
Total	6,059	5,466

c) Short-term lease disclosures

The company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payment associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The company incurred INR 9,944 (in 000's) for the year ended March 31, 2021 towards expense relating to short-term lease.

Lease contracts entered by the company majorly pertain for office space taken on lease to conduct its business in the ordinary course by using the existing infrastructure and utilities provided in the building. The company does not have any lease restrictions and commitments towards variable rent as per the contract.

28 Income tax expenses

a) The components of Income tax expense for the period ended March 31, 2021 and March 31, 2020 are:

Particulars	Mar 31, 2021	Mar 31, 2020
Current tax	60,396	85,693
Deferred tax	350	9,624
Sub-total	60,746	95,317
Deferred tax - Other comprehensive income	104	(197)
Total	60,850	95,120

b) Reconciliation of the total tax charge

The tax charge shown in the Statement of Profit and Loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended March 31, 2021 and March 31, 2020 is, as follows:

Particulars	Mar 31, 2021	Mar 31, 2020
Accounting profit before tax	238,820	358,845
Tax at India's statutory income tax rate of 25.17% (previous year 25.17%)	60,111	90,321
Tax effect of the amount which are not taxable in calculating taxable income:		
- Expenses disallowed	2,280	1,443
- Income not subject to tax	(11)	(1,143)
- (Excess)/ Short provision for tax of earlier years	-	1,597
- Other	(1,634)	3,099
Income tax expense at effective tax rate	60,747	95,316
Effective tax rate	25.44%	26.56%

c) Deferred tax assets/liabilities

The balance comprises temporary differences attributable to the below items and corresponding movement in deferred tax liabilities / assets:

Particulars	As at March 31, 2020	(Charged)/ credited to profit and loss	(Charged)/ credited to OCI	As at March 31, 2021
Deferred tax liability:				
Property, plant and equipment	-	-	-	-
Deferred tax asset:				
Depreciation/amortization - property, plant and equipment/ Intangible asset	2,480	(360)	-	2,120
Employee's benefit obligations	200	10	-	210
Provision	140	-	-	140
Impairment allowance for financial assets	160	-	-	160
Net deferred tax asset/(liability)	2,980	(350)	-	2,630

Particulars	As at March 31, 2019	(Charged)/ credited to profit and loss	(Charged)/ credited to OCI	As at March 31, 2020
Deferred tax asset:				
Depreciation/amortization - property, plant and equipment/ Intangible asset	3,651	(1,171)	-	2,480
Employee's benefit obligations	350	(150)	-	200
Provision	162	(22)	-	140
Impairment allowance for loans	8,441	(8,281)	-	160
Net deferred tax asset/(liability)	12,604	(9,624)	-	2,980

d) Tax losses

Particulars	Assesment Year	Expiry Assessment Year	As at March 31, 2021	As at March 31, 2020
Unused Short term capital losses for which no deferred tax asset has been recognised	2014-15	2022-23	-	20,879
Potential tax benefit at March 31, 2021: 25.17%, March 31, 2020: 25.17%			-	5,255

29. Contingent liabilities and commitments (to the extent not provided for)

Provident Fund

The Honourable Supreme Court has recently provided a judgment in case of "Vivekananda Vidyamandir And Others Vs. The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-1/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the Management, the aforesaid matter is not likely to have a significant impact.

30. Employee benefit obligations

a) Defined contribution plans

The Company has recognised the following amounts in the statement of profit and loss towards contribution to defined contribution plans which are included under contribution to provident and other funds:

Particulars	Mar 31, 2021	Mar 31, 2020
Provident fund	1,562	1,575
Others	91	79

b) Defined benefit plans

The Company has a defined benefit plan for post-employment benefits in the form of Gratuity. The Company contributes to the "Gratuity Trust". Every employee is entitled to a benefit equivalent to thirty days salary last drawn for each completed year of service. The same is payable at the time of separation from the Company or retirement whichever is earlier. The benefits vest after four years and one hundred ninety days of continuous service.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

i) Balance Sheet

	Present value of obligation	Fair value of plan assets	Net amount
As at April 1, 2019	7,023	5,717	1,306
Current service cost	1,081	-	1,081
Interest expense/(income)	513	465	48
Total amount recognised in Profit and Loss	1,594	465	1,129
Return on plan assets excluding amounts included in interest expense/income	-	13	(13)
Actuarial loss / (gain) arising from change in financial assumptions	486	-	486
Actuarial loss / (gain) arising on account of experience changes	309	-	309
Total amount recognised in Other Comprehensive Income	795	13	782
Employer contributions	-	1,306	(1,306)
Benefit payments	-	-	-
As at March 31, 2020	9,412	7,501	1,911
Current service cost	1,015	-	1,015
Interest expense/(income)	557	517	40
Total amount recognised in Profit and Loss	1,572	517	1,055
Return on plan assets excluding amounts included in interest expense/income	-	207	(207)
Actuarial loss / (gain) arising from change in financial assumptions	108	-	108
Actuarial loss / (gain) arising on account of experience changes	(315)	-	(315)
Total amount recognised in Other Comprehensive Income	(207)	207	(414)
Past service cost - plan amendments	(328)	-	(328)
Employer contributions	-	1,912	(1,912)
Benefit payments	(763)	(763)	-
As at March 31, 2021	9,686	9,374	312

Particulars	As at March 31, 2021	As at March 31, 2020
Present value of plan liabilities	9,686	9,412
Fair value of plan assets	9,374	7,501
Plan liability net of plan assets	312	1,911

ii) Statement of Profit and Loss

Particulars	Mar 31, 2021	Mar 31, 2020
Employee Benefit Expenses:		
Current service cost	1,015	1,081
Total	1,015	1,081
Finance cost	40	48
Net Impact on the profit before tax	1,055	1,129
Remeasurement of the net defined benefit liability:		
Return on plan assets excluding amounts included in interest expense/income	(207)	(13)
Actuarial loss / (gain) arising from change in financial assumptions	108	485
Actuarial loss / (gain) arising on account of experience changes	(315)	309
Net Impact on the other comprehensive income before tax	(414)	782

iii) Defined benefit plans assets

Category of assets (% allocation)	As at March 31, 2021	As at March 31, 2020
- Insurer Managed Fund (HDFC Group Unit link plan - Option B)	100%	100%
Total	100%	100%

iv) Actuarial assumptions

With the objective of presenting the plan assets and plan liabilities of the defined benefits plans at their fair value on the balance sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date.

Particulars	As at March 31, 2021	As at March 31, 2020
Discount rate	6.2%	6.4%
Salary escalation rate*	7.0%	7.0%

* takes into account the inflation, seniority, promotions and other relevant factors

v) Demographic assumptions

Particulars	As at March 31, 2021	As at March 31, 2020
Mortality rate	Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Withdrawal rate	10%	10%

vi) Sensitivity

As at March 31, 2021	Change in assumption Increase or Decrease by	Impact on defined benefit obligation	
		Increase/ (Decrease)	
Discount rate	0.5%	(265)	280
Salary escalation rate	0.5%	277	(265)

As at March 31, 2020	Change in assumption Increase or Decrease by	Impact on defined benefit obligation	
		Increase/ (Decrease)	
Discount rate	0.5%	(276)	291
Salary escalation rate	0.5%	289	(275)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

vii) Maturity (undiscounted)

The defined benefit obligations shall mature after year end as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
1st Following Year	979	946
2nd Following Year	2,700	996
3rd Following Year	935	2,652
4th Following Year	1,022	1,030
5th Following Year	1,322	1,164
Sum of 6 to 10	7,739	6,892

The weighted average duration of the defined benefit obligation is 7 years (previous year - 7 years)

viii) Risk Exposure

Interest rate risk: The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

Salary inflation risk: Higher than expected increases in salary will increase the defined benefit obligation.

Demographic risk: This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

31 Segment information

The Company is domiciled in India. The Company is engaged in business of financing by way of loans (non banking financial services), which is considered to be only reportable segment (in accordance with Ind AS 108).

a) Segment revenue

The Company operates as a single segment. The segment revenue is measured in the same way as in the statement of profit and loss.

Particulars	As at March 31, 2021	As at March 31, 2020
Segment revenue		
- India	490,521	723,895
- Outside India	-	-
Total	490,521	723,895

There is no party which individually contributes more than 10% of total operating revenue of the Company.

b) Segment assets and segment liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Segment assets - India	6,664,110	8,413,816
Segment liabilities - India	1,954,343	3,882,433

HSBC InvestDirect Financial Services (India) Limited
 Notes to financial statements for the year ended March 31, 2021 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

32. Earnings per share (EPS)

a) Computation of basic & diluted earnings per share is given below:

Particulars	Mar 31, 2021	Mar 31, 2020
Basic & Diluted earnings per share		
Net profit after tax available for equity shareholders (A) (Rs. in thousands)	178,074	263,528
Weighted average number of equity shares (B)	146,284,720	146,284,720
Basic & Diluted earnings per share (A/B) (Rs.)	1.22	1.80
Nominal value per share (Rs.)	10	10

33. Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting capital adequacy requirements of the local banking supervisor, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, amongst other measures, the regulations issued by RBI. Company has complied in full with all its externally imposed capital requirements over the reported period. The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

Regulatory Capital

Capital to risk assets ratio (CRAR):	As at March 31, 2021	As at March 31, 2020
Tier I capital	4,679,188	4,501,524
Tier II capital	597	602
Total capital	4,679,785	4,502,126
Risk weighted assets	6,099,420	7,654,679
CRAR (%)	76.73%	58.82%
CRAR - Tier I capital (%)	76.72%	58.81%
CRAR - Tier II capital (%)	0.01%	0.01%
Amount of subordinated debt considered as Tier II capital	-	-
Amount raised by issue of perpetual debt instruments	-	-

34 Maturity analysis of assets and liabilities

(All amounts in INR thousands, unless otherwise stated)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial assets						
Cash and cash equivalents	1,476	-	1,476	344,019	-	344,019
Bank balance other than cash and cash equivalents	405,313	-	405,313	263,108	-	263,108
Investments	-	110,080	110,080	-	1,478,479	1,478,479
Loans	4,721,672	1,245,384	5,967,056	3,829,077	2,190,616	6,019,694
Other financial assets	14,713	-	14,713	154,729	-	154,729
Total financial assets (A)	5,143,174	1,355,464	6,498,638	4,390,933	3,669,095	8,260,029
Non-financial assets						
Current tax assets (Net)	-	152,426	152,426	-	141,689	141,689
Deferred tax assets (Net)	-	2,630	2,630	-	2,980	2,980
Property, plant and equipment	-	3,564	3,564	-	1,889	1,889
Intangible assets	-	-	-	-	-	-
Intangible assets under development	-	3,400	3,400	-	3,400	3,400
Other non-financial assets	3,452	-	3,452	3,829	-	3,829
Total Non-financial assets (B)	3,452	162,020	165,472	3,829	149,958	153,787
Total assets (C = A+B)	5,146,626	1,517,484	6,664,110	4,594,762	3,819,053	8,413,816
Financial liabilities						
Payables						
(i) Trade payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	11,463	-	11,463	9,367	-	9,367
Debt securities	247,439	-	247,439	2,220,322	-	2,220,322
Borrowings (other than debt securities)	30,847	1,620,000	1,650,847	-	1,620,000	1,620,000
Other financial liabilities	9,638	-	9,638	794	-	794
Total financial liabilities (D)	299,387	1,620,000	1,919,387	2,230,483	1,620,000	3,850,483
Non-financial liabilities						
Current tax liabilities (Net)	15,311	-	15,311	10,686	-	10,686
Provisions	865	16,173	17,038	2,464	16,173	18,637
Other non-financial liabilities	2,607	-	2,607	2,627	-	2,627
Total Non-financial liabilities (E)	18,783	16,173	34,956	15,777	16,173	31,950
Total liabilities (F = D+E)	318,170	1,636,173	1,954,343	2,246,260	1,636,173	3,882,433
Net (C-F)	4,828,456	(118,689)	4,709,767	2,348,502	2,182,880	4,531,383

35 Fair value measurement

a) Financial Instruments by Category

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2A (v) to the financial statements.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Fair value through Profit or Loss	Fair value through OCI	Amortised cost	Fair value through Profit or Loss	Fair value through OCI	Amortised cost
Financial Assets:						
Cash and cash equivalents	-	-	1,476	-	-	344,019
Bank balance other than cash and cash equivalents	-	-	405,313	-	-	263,108
Loans	-	-	5,967,056	-	-	6,019,694
Investments	110,080	-	-	1,478,479	-	-
Other financial assets	-	-	14,713	-	-	154,729
Total Financial Assets	110,080	-	6,388,558	1,478,479	-	6,781,550
Financial Liabilities:						
Trade payables	-	-	11,463	-	-	9,367
Debt securities	-	-	247,439	-	-	2,220,322
Borrowings (other than debt securities)	-	-	1,650,847	-	-	1,620,000
Other financial liabilities	-	-	9,638	-	-	794
Total Financial Liabilities	-	-	1,919,387	-	-	3,850,483

(All amounts in INR thousands, unless otherwise stated)

b) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard.

The hierarchies used are as follows:

Level 1: Hierarchy includes financial instruments measured using quoted prices. The quoted equity securities are valued at quoted prices as per the stock exchange.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at March 31, 2021

Assets and liabilities measured at amortised cost for which fair values are disclosed	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Loan against financial securities (LAS)	5	-	-	5,917,809	5,917,809
Total financial assets		-	-	5,917,809	5,917,809

As at March 31, 2020

Assets and liabilities measured at amortised cost for which fair values are disclosed	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Loan against financial securities (LAS)	5	-	-	6,007,451	6,007,451
Total financial assets		-	-	6,007,451	6,007,451

i) There are no transfers between levels 1, 2 and 3 during the year.

ii) The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

The fair value of financial instruments are classified into three categories i.e. Level 1, 2 or 3 depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

c) Valuation technique used to determine fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

Specific valuation techniques used to value financial instruments include:

- The fair value of the remaining financial instruments is determined using discounted cash flow analysis and the discount rates used were adjusted for counterparty or own credit risk.

Valuation process

The credit risk management team performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the CRO and these valuations are reviewed by CFO.

The main level 3 inputs for loans against financial securities are discount rates, which are determined using weighted-average interest rates of loans sanctioned in March 2021 and March 2020.

d) Fair value of financial assets and liabilities measured at amortised cost

Particulars	As at March 31, 2021		As at March 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Loan against financial securities (LAS)	5,967,056	5,917,809	6,019,694	6,007,451
Total financial assets	5,967,056	5,917,809	6,019,694	6,007,451

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include, cash and bank balances, security deposits, other financial assets, trade and other payables, other financial liabilities, debt securities and borrowings. Such amounts have been classified as Level 3.

36. Financial risk management

The company's activities expose it to market risk, liquidity risk and credit risk.

The company's risk management is carried out by the Company's Risk Management team (led by a CRO) under policies approved by the board of directors. The Company has a loan policy, which provides guidances for overall risk management, specifically credit risk and market risk. There is also an interest rate policy to manage interest rate risk and liquidity risk.

36.1 Credit risk management

Credit risk is the risk of suffering financial loss, should any of the company's customers, clients or market counterparties fail to fulfil their contractual obligations to the company. Credit risk arises mainly from loans and advances, and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports to the CRO. Assessment of lending proposals includes assessment of borrower's background; financial strength and leverage; operational & financial performance track record; cash flows; valuation of collateral and similar parameters.

The Company offers a single product which is lending against financial securities (LAS). It is more than 100% secured product with regulatory risk weight assigned of 100%. A real-time risk monitoring system is put in place to assist the risk team to initiate the necessary margin call triggers and take necessary action including liquidation of collaterals to protect against the probable bad debts.

(a) Loans and advances (incl. loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under Ind AS 109. Refer to note 36.1(b) for more details.

Other financial assets

The Company has credit risk exposure in cash and cash equivalents; deposits with banks, and other financial assets. Cash and cash equivalents and bank deposits are held with only high rated banks/financial institutions only, therefore credit risk is perceived to be low.

Other financial assets pertain to security deposits for rented premises; margin deposit. The Company does not perceive any significant decline in credit risk of the lessors and hence expected probability of default is considered as low.

Customer Risk Rating (CRR)

The Company uses internal CRR rating model that enables its assessment of the probability of default of individual counterparties. The internal CRR is tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

The internal CRR is calibrated such that the risk of default increases exponentially at each higher CRR.

The Company has its own internal credit rating framework that is used for rating of the borrowers at the time of sanction and during the annual re-rating exercise. Any other known information about the borrower which impacts their creditworthiness – such as unemployment and previous delinquency history – is also incorporated into the annual re-rating exercise. Based on the analysis done by the Company, the parameters in the rating model (borrower strength, operating risk, market risk, financials, etc.) are given a score between 1 (highest) to 10 (lowest). The internal rating is based on the final score derived from the credit rating model.

Refer to table below for details:

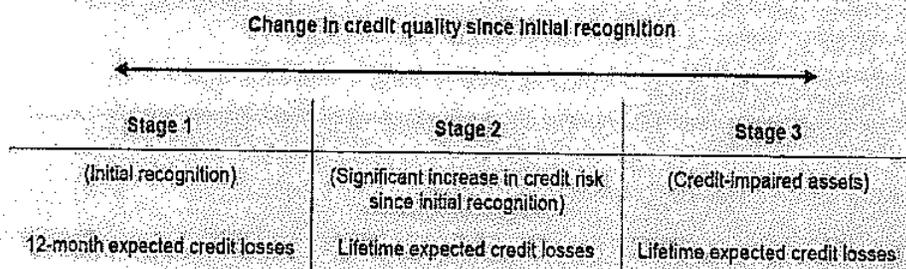
Internal score	Description of the grade
0.1, 1.1, 1.2	Minimum Default Risk
2.1, 2.2	Low Default Risk
3.1, 3.2, 3.3	Satisfactory Default Risk
4.1, 4.2, 4.3	Fair Default Risk
5.1, 5.2, 5.3	Moderate Default Risk
6.1, 6.2	Significant Default Risk
7.1, 7.2	High Default Risk
8.1, 8.2, 8.3	Special Management
9, 10	Default

(b) Expected credit loss measurement

Ind AS 109 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 36.1(b)(i) for a description of how the Company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 36.1(b)(ii) for a description of how the Company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 36.1(b)(iv) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with Ind AS 109 is that it should consider forward-looking information. Note 36.1(b)(v) includes an explanation of how the Company has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under Ind AS 109 (other than purchased or originated credit-impaired financial assets):



The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

(i) Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The credit risk on a financial asset of the Company are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Accordingly, the financial assets shall be classified as Stage 2, if on the reporting date, it has been more than 30 days past due. It may be kept in mind that the Company's Risk Management team can initiate sale of securities through invocation, to regularise the contractual payments due to the Company.

Qualitative criteria:

For all financial instruments held by the Company, if the borrower is on the Watch, Worry, Monitor list and/or the instrument meets one or more of the following criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans
- The CRR of the borrower deteriorates to Significant Default Risk (internal score: 6.1, 6.2) / High Default Risk (internal score: 7.1, 7.2)

The assessment of SICR incorporates forward-looking information (refer to note 36.1(b)(v) for further information) and is performed on a monthly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Independent Risk Management team.

Backstop

The Company enjoys more than 100% collateral cover. There is a theoretical possibility that factors beyond the control of the Risk Management team may impact the realisability of security cover. Amongst other things, some such factors are listed below:

- Injunction on borrower, which prevents the Company from selling the collateral cover
- Regulatory advise on no sale of securities
- Underlying collateral security is locked on the lower circuit or have only sellers in the stocks

(ii) Definition of default and credit-impaired assets

Borrowers for whom the CRR has deteriorated to Special Management (Internal score: 8.1, 8.2, 8.3) / Default (Internal score: 9, 10), are considered to be credit-impaired.

In the SICR section above, the potential impact of factors beyond the control of the Risk Management team has been enumerated. Apart from the uncontrollable factors, the Company does not foresee a scenario where the financial instruments would be credit-impaired, by virtue of one or more of the following criteria:

- The Company is conservative in its customer selection criteria
- The Company observes an internal rating criteria before onboarding new customers and before renewing limits for existing customers
- The Company accepts collateral cover only for eligible securities. The criteria for determining eligible securities is described in the loan policy for each category of collateral (equity shares, mutual funds, bonds etc.)
- In the past 3 years, HIFSL has not witnessed any Credit defaults or Credit losses on the LAS as a product. All loans are Stage 1 assets with a satisfactory historical repayment behavior.
- The loans offered have a contractual tenor of 12-36 months. Loans with a contractual tenor of more than 12 months are subject to annual review and approval. All the loans have a put/call option for the borrower/lender respectively.
- All financial collateral are valued on a continuing basis vis-a-vis the loan exposure for any shortfall which are required to be regularised in a maximum of 7 working day's time. Else, the financial collateral are subject to sell off.
- Any financial collateral showing quality deterioration is required to be swapped with better quality security as advised by Risk Management team.
- All loans are demand loans recallable with a short notice.

(iii) Upgradation from higher stage to lower stage

For upgradation from higher stage to lower stage (i.e. to have cured):

Loan and advances is not moved from higher stage to lower stage immediately after payment of overdue amount, following cooling off period is applied:

From Stage 2 to Stage 1

- Contractual payments are in lower than 30 days past due for at least six months

This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(iv) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD); or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking economic information is also included in determining the PD, EAD and LGD. Refer to note 36.1(b)(v) for an explanation of forward-looking information and its inclusion in ECL calculations. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(v) Forward-looking information incorporated in the ECL model

The assessment of SICR incorporates forward-looking information. All loans are Stage 1 assets with a satisfactory historical repayment behaviour. The Company's LAS portfolio comprises highly liquid financial collateral which are valued on a continuing basis vis-a-vis the loan exposure for any shortfall which are required to be regularised in a maximum of 7 working day's time. Else, the financial collateral are subject to sell off. In the SICR section above, the potential impact of factors beyond the control of the Risk Management team has been enumerated. Apart from the uncontrollable factors, it is unlikely that any of the Stage 1 assets would move to Stage 2.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, which are likely to culminate into reduction in realisable value of collateral securities are built in through the annual stress-testing exercise (which is a regulatory requirement). The portfolio is stress-tested under various scenarios to arrive at the impact analysis on the loan portfolio, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

(vi) Financial assets measured on a collective basis
ECL is calculated on a collective basis for the entire LAS portfolio.

(vii) Account review method
Drawing power ratio is the percentage of loan over the net value of securities.

Drawing Power Ratio: $(\text{Value of Security after haircut}) \times 100$

Loan Outstanding

On a daily basis, the risk report will be generated taking the latest end of day price and DP ratio is ascertained. Where the DP ratio is less than 95%, the margin call will be raised to customer. In case of extreme fall in the market, an intraday risk report is prepared and necessary actions are taken for margin shortfall by credit risk team.

Based on Drawing Power Ratio, the loans would be categorized as follows:

Margin Call	Drawing Power (ratio)	Category	Course of Action	Time Lines for action – Equity shares *	Time Lines for action – Other Securities **
Not applicable	95% - 100% (>97% for Securities with security portfolio LTV of greater than equal to 80%)	Normal Loans	Shortfall notice	Within 7 (Seven) working Days falling which positions will be squared off	No action required.
Margin Call	85 - 95 % (97% for Securities with security portfolio LTV of greater than equal to 80%)	Category Y Loans	Shortfall notice	7 (Seven) Working Days to top the margins falling which positions will be squared off.	7 (Seven) Working Days to top the Margins falling which positions will be squared off.
Square off	< 85 % (94% for securities with security portfolio LTV of greater than equal to 80%)	Category Y Loans	Square off after appropriate intimation to customer.	Immediate Square off after giving appropriate intimation to the borrower.	Immediate Square off after giving appropriate intimation to the borrower.

* For any high risk lending against equity shares or mutual funds (for e.g. single stock lending, promoter lending, etc.) case, the stringent timeline of five working days for the Category "Y" shortfall shall apply.

** Any mixed collateral securities portfolio with more than 65% equity shares composition will be considered as a 100% equity portfolio for Margin Call management and process. All regularization timelines as applicable for a 100% Equity Shares portfolio shall apply to such a portfolio.

(c) Credit risk exposure

(i) Maximum exposure to credit risk – Financial Instruments subject to Impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

Asset group	Internal rating grade	As at March 31, 2021			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Performing	-	-	-	-
	Minimum Default Risk	-	-	-	-
	Low Default Risk	-	-	-	-
	Satisfactory Default Risk	5,531,005	-	-	5,531,005
	Fair Default Risk	436,648	-	-	436,648
	Moderate Default Risk	-	-	-	-
	Significant Default Risk	-	-	-	-
	High Default Risk	-	-	-	-
	Special Management	-	-	-	-
	Default	-	-	-	-
Non-performing Individually Impaired	-	-	-	-	
Total	Total	5,967,653	-	-	5,967,653

Asset group	Internal rating grade	As at March 31, 2020			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Performing				
	Minimum Default Risk	-	-	-	-
	Low Default Risk	-	-	-	-
	Satisfactory Default Risk	5,949,803	-	-	5,949,803
	Fair Default Risk	70,493	-	-	70,493
	Moderate Default Risk	-	-	-	-
	Significant Default Risk	-	-	-	-
	High Default Risk	-	-	-	-
	Special Management	-	-	-	-
	Default	-	-	-	-
Non-performing					
Individually Impaired	-	-	-	-	
Total	Total	6,020,296	-	-	6,020,296

(ii) Collateral:

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Company prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types are:

- Listed stocks
- Units of mutual funds (both equity & debt schemes including Fixed Maturity Plans)
- Bonds (sovereign and corporate)

The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

As per the contractual terms, collateral is permitted to be sold on event of default (Refer Note 36.1(b)(vii))

Particulars	Gross exposure to credit risk	Impairment allowance*	Carrying amount	Fair value of collateral held#
As at March 31, 2021				
- Loan against financial securities (LAS)	5,967,653	(597)	5,967,056	17,103,345
Total	5,967,653	(597)	5,967,056	17,103,345
As at March 31, 2020				
- Loan against financial securities (LAS)	6,020,296	(602)	6,019,694	13,276,371
Total	6,020,296	(602)	6,019,694	13,276,371

* Impairment allowance: 0.01% for March 31, 2021; 0.01% for March 31, 2020

Fair value of collateral held includes collateral amount against which no loan is outstanding as at March 31, 2021 and March 31, 2020.

(iii) Loss allowance:

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk in the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 36.1(c)).

(All amounts in INR thousands, unless otherwise stated)

An analysis of change in the gross carrying amount of the loan portfolio and corresponding loss allowance:

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed below:

Asset group	Particulars	Year ended March 31, 2021			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	6,020,296	-	-	6,020,296
	Loans given	5,086,042	-	-	5,086,042
	Loans repaid (including partial repayments)	(5,138,685)	-	-	(5,138,685)
	Closing balance	5,967,653	-	-	5,967,653

Asset group	Particulars	Year ended March 31, 2020			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	7,295,659	-	-	7,295,659
	Loans given	5,598,026	-	-	5,598,026
	Loans repaid (including partial repayments)	(6,873,389)	-	-	(6,873,389)
	Closing balance	6,020,296	-	-	6,020,296

The following table explains the changes in the loss allowance between the beginning and at the end of the annual period due to various factors:

Asset group	Particulars	Year ended March 31, 2021			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	602	-	-	602
	Loans given	509	-	-	509
	Loans repaid (including partial repayments)	(514)	-	-	(514)
	Net remeasurement of loss allowance	0	-	-	0
	Closing balance	597	0	0	597

Asset group	Particulars	Year ended March 31, 2020			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	28,986	-	-	28,986
	Loans given	560	-	-	560
	Loans repaid (including partial repayments)	(756)	-	-	(756)
	Net remeasurement of loss allowance	(28,188)	-	-	(28,188)
	Closing balance	602	-	-	602

(d) Write-off policy

Margin calls letters are sent to customers whenever there is margin shortfall. In case customer fails to timely top-up the margins and brings it to approved levels, sale of the securities will be initiated by Relationship Managers. Pledge / Lien on Stocks / Other Security will be invoked fully or partially and same will be liquidated to clear the margin shortfall and other dues, if any. In the event of shortfall of securities to cover the outstanding dues, the Company shall initiate appropriate legal action against the customer based on the documentation executed with the customer. Excess fund balance, if any, will be transferred to customer's registered bank account with HIFSL and excess securities will be freed from pledge/lien, post clearing of dues on the account.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended March 31, 2021 was NIL (March 31, 2020 - NIL).

(e) Concentration of credit risk

There are no significant concentrations of credit risk to specific industry sectors and/or regions. For concentrations of credit risk to customers, for concentration of credit risk to customers, refer note 40.

(f) Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 36.1.

36.2 Liquidity risk and funding management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

a) Financing arrangements

The company had access to the following undrawn borrowing facilities at the end of the reporting period:

	As at March 31, 2021	As at March 31, 2020
Floating rate		
-Expiring within one year (bank overdraft and other facilities, with renewal option)	1,099,153	996,980
-Expiring beyond one year (other facilities)	380,000	380,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

b) Maturity of financial assets and financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities as at the year end. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The Company does not have any derivative financial liabilities.

As at March 31, 2021

Contractual maturities of financial assets and financial liabilities	Carrying Amount	Within 12 months			After 12 months		Total
		Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	
Financial assets							
Cash and cash equivalents	1,476	1,476	-	-	-	-	1,476
Bank balance other than cash and cash equivalents above	405,313	297,833	1,287	110,379	-	-	409,499
Loans	5,967,056	929,476	1,588,821	2,470,491	737,278	702,277	6,428,343
Investments	110,080	-	-	-	-	110,080	110,080
Other financial assets	14,713	9,984	-	4,729	-	-	14,713
Total assets	6,498,638	1,238,769	1,590,108	2,585,599	737,278	812,357	6,964,111
Financial liabilities							
Trade payables	11,463	6,608	3,270	1,585	-	-	11,463
Debt securities	247,439	250,000	-	-	-	-	250,000
Borrowings (other than debt securities)	1,650,847	60,048	29,522	58,403	1,737,447	-	1,885,420
Other financial liabilities	9,638	8,315	-	1,323	-	-	9,638
Total liabilities	1,919,387	324,971	32,792	61,311	1,737,447	-	2,156,521

As at March 31, 2020

Contractual maturities of financial assets and financial liabilities	Carrying Amount	Within 12 months			After 12 months		Total
		Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	
Financial assets							
Cash and cash equivalents	344,019	344,023	-	-	-	-	344,023
Bank balance other than cash and cash equivalents above	263,108	233,121	4	30,008	-	-	263,133
Loans	6,019,694	1,117,079	784,748	2,289,470	1,356,029	1,151,737	6,699,063
Investments	1,478,479	-	-	-	-	1,478,479	1,478,479
Other financial assets	154,729	150,150	-	4,579	-	-	154,729
Total assets	8,260,029	1,844,373	784,752	2,324,057	1,356,029	2,630,216	8,939,427
Financial liabilities							
Trade payables	9,367	5,203	3,784	380	-	-	9,367
Debt securities	2,220,322	1,500,000	750,000	-	-	-	2,250,000
Borrowings (other than debt securities)	1,620,000	30,413	30,747	60,826	1,864,306	-	1,986,292
Other financial liabilities	794	-	-	794	-	-	794
Total liabilities	3,850,483	1,535,616	784,531	62,000	1,864,306	-	4,246,453

(All amounts in INR thousands, unless otherwise stated)

36.3 Market Risk

Market risk is that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and price movements.

a) Interest rate risk - lending

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company's main interest rate risk arises from lending with variable rates, which expose the Company to cash flow interest rate risk. As at March 31, 2021 and March 31, 2020, the Company's lending portfolio at variable rate are denominated in Indian Rupees.

i) Interest rate risk exposure

The exposure of the Company's lending portfolio to interest rate changes at the end of the reporting periods/years are as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Variable rate loans*	5,967,653	6,020,296
Fixed rate loans	-	-
Total	5,967,653	6,020,296

* The loan amounts are the gross carrying value

As at the end of the reporting period, the Company had the following variable rate loan (asset) outstanding:

As at March 31, 2021	Weighted average interest rate	Balance	% of total loans
Loans	7.04%	5,967,653	100%

As at March 31, 2020	Weighted average interest rate	Balance	% of total loans
Loans	8.53%	6,020,296	100%

ii) Sensitivity

Profit and loss is sensitive to higher/lower interest income from variable rate loans as a result of changes in interest rates.

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2021	Year ended March 31, 2020
Interest rates – increase by 90 (March 31, 2020: 18) basis points	39,789	8,016
Interest rates – decrease by 90 (March 31, 2020: 18) basis points	(39,789)	(8,016)

The sensitivity is derived holding all other variables constant.

b) Interest rate risk exposure - borrowings

i) Interest rate risk exposure - borrowings

The exposure of the Company's borrowing portfolio to interest rate changes at the end of the reporting periods/years are as follows:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Overdraft from Bank	30,847	-
Loan from the holding company	1,620,000	1,620,000
Variable rate loans	1,650,847	1,620,000
Commercial papers	247,439	2,220,322
Fixed rate loans	247,439	2,220,322
Total	1,898,286	3,840,322

As at the end of the reporting period, the Company had the following variable rate borrowings outstanding:

As at March 31, 2021	Weighted average interest rate	Balance	% of total loans
Borrowings (other than debt securities)	7.21%	1,650,847	87%

As at March 31, 2020	Weighted average interest rate	Balance	% of total loans
Borrowings (other than debt securities)	7.53%	1,620,000	42%

(All amounts in INR thousands, unless otherwise stated)

ii) Sensitivity

Profit and loss is sensitive to higher/lower interest income from variable rate loans as a result of changes in interest rates.

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2021	Year ended March 31, 2020
Interest rates – increase by 90 (March 31, 2020: 18) basis points	(11,118)	(2,182)
Interest rates – decrease by 90 (March 31, 2020: 18) basis points	11,118	2,182

The sensitivity is derived holding all other variables constant.

c) Interest rate risk exposure – Investments in debt oriented mutual funds

The Company is exposed to interest rate risk from investments held in debt oriented mutual fund units. These funds invest in debt securities. The exposure to interest rate risk in case of units backed by debt securities is measured using sensitivity analysis as follows:

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2021	Year ended March 31, 2020
91 days T-bill - increase by 100 basis points	1,044	8,758
91 days T-bill - decrease by 100 basis points	(1,044)	(8,758)

d) Foreign currency risk

The Company does not have any foreign currency denominated exposures in respect of financial assets and financial liabilities as at the balance sheet date that will result in net currency gains or losses in the statement of profit and loss due to change foreign currency exchange rates.

e) Price risk

The Company does not have exposures in respect of financial assets and financial liabilities as at balance sheet date that will result in changes in statement of profit or loss or equity due to change in prices.

37. Related party transactions (As per Ind AS 24)

(a) Parent entities

The company is controlled by the following entity:

Name of the entity	Type	Place of incorporation
H8BC InvestDirect (India) Limited	Holding Company	India
H8BC Holdings Plc	Ultimate holding company	United Kingdom
H8BC Securities and Capital Markets (India) Private Limited	Intermediate holding company	India
The Hongkong and Shanghai Banking Corporation Limited	Intermediate holding company	Hong Kong

(b) Transactions have taken place in the ordinary course of the business for the year:

Name of the entity	Relationship
The Hongkong and Shanghai Banking Corporation Limited - India Branches	Fellow Subsidiary
H8BC Electronic Data Processing India Private Limited	Fellow Subsidiary
H8BC InvestDirect Financial Services (India) Limited - Employee Gratuity Trust	Post Employment Benefit Plan (PEBP)
H8BC Securities and Capital Markets (India) Private Limited	Intermediate holding company

(c) Key Managerial Personnel (KMP):

Mr. Shantanu Shankar, Managing Director
Mr. Anshu Sethi - Director
Ms. Leena Gidwani - Director
Ms. Sharada Sangekar - Director
Mr. Madhur Malviya - Director
Mr. Vipul Malkan - Director

(d) Transactions during the year with related parties:

Particulars	Parent entities	Fellow Subsidiaries	KMP	PEBP	Intermediate holding company	Ultimate holding company
Interest on Line of Credit	115,113 (73,791)	- (-)	- (-)	- (-)	- (-)	- (-)
Professional fees	- (-)	1,961 (2,055)	- (-)	- (-)	- (-)	315 (-)
Rent	- (-)	9,944 (11,789)	- (-)	- (-)	- (-)	- (-)
Employee Share awards	- (-)	- (-)	- (-)	- (-)	- (-)	171 (-)
Repair and Maintenance	49 (54)	- (-)	- (-)	- (-)	- (-)	- (-)
Proceeds from borrowings	- (10,293,450)	- (-)	- (-)	- (-)	- (-)	- (-)
Repayment of borrowings	- (10,169,650)	- (-)	- (-)	- (-)	- (-)	- (-)
Miscellaneous expenses	- (-)	1,041 (859)	- (-)	- (-)	- (-)	- (-)
Fixed deposits placement	- (-)	1,825,400 (2,242,000)	- (-)	- (-)	- (-)	- (-)
Fixed deposits redemption	- (-)	2,153,400 (1,915,000)	- (-)	- (-)	- (-)	- (-)
Director sitting fees	- (-)	- (-)	725 (825)	- (-)	- (-)	- (-)
Contribution to gratuity trust	- (-)	- (-)	- (-)	1,911 (2,306)	- (-)	- (-)
Margin deposit placed	- (-)	- (-)	- (-)	- (-)	89,500 (265,000)	- (-)
Margin deposit refunded	- (-)	- (-)	- (-)	- (-)	137,000 (115,000)	- (-)

Amounts in brackets represents amount relating to previous year

(e) Outstanding balances at the year end with related parties:

Particulars	Parent entities	Fellow Subsidiaries	KMP	PEBP	Intermediate holding company	Ultimate holding company
Bank balance (in current account)						
31-Mar-21	-	696	-	-	-	-
31-Mar-20	-	10,593	-	-	-	-
Fixed deposits						
31-Mar-21	-	-	-	-	-	-
31-Mar-20	-	327,050	-	-	-	-
Director sitting fees						
31-Mar-21	-	-	45	-	-	-
31-Mar-20	-	-	-	-	-	-
Security deposits						
31-Mar-21	-	4,579	-	-	-	-
31-Mar-20	-	4,579	-	-	-	-
Margin deposits						
31-Mar-21	-	-	-	-	2,500	-
31-Mar-20	-	-	-	-	150,000	-
Receivable on account sale of collateral securities						
31-Mar-21	-	-	-	-	7,484	-
31-Mar-20	-	-	-	-	-	-
Borrowings						
31-Mar-21	1,620,000	-	-	-	-	-
31-Mar-20	1,620,000	-	-	-	-	-
Trade payables						
31-Mar-21	-	1,040	-	-	132	151
31-Mar-20	-	758	-	-	-	-
Gratuity Payable to the Trust						
31-Mar-21	-	-	-	312	-	-
31-Mar-20	-	-	-	1,911	-	-

(All amounts in INR thousands, unless otherwise stated)

38 COVID-19

The spread of COVID-19 has severely impacted businesses around the globe. In many countries, including India, there has been severe disruption to regular business operations due to lock-downs, disruptions in transportation, supply chain, travel bans, quarantines, social distancing and other emergency measures.

The Indian Government, the Reserve Bank of India and other regulators have announced various measures and relaxations acknowledging the current situation to ensure that there is enough liquidity in the hands of market participants and provided moratoriums to the borrowers in terms of their repayments to the financial institutions.

The Company is in the business of providing loans against securities and raising monies through borrowings. The Company has made an assessment of its liquidity position applying stress scenarios. The Company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements. The Company has further assessed the recoverability and carrying value of its assets comprising Loans and advances, Investments, fixed assets, other receivables as at balance sheet date, and has concluded that there are no material adjustments required in the financial Statements. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Company will continue to monitor any material changes to future economic conditions.

39 Commercial Paper Listing

The Company was required to list its Commercial Papers (CP) on stock exchanges as a result of the SEBI circular SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 1, 2019 which mandated mutual funds to invest in only listed debt instruments including CPs. The Company, thereafter, has also complied with the requirements issued by SEBI under the framework for listing of CPs vide circular SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 and as implemented by stock exchanges.

The listing of CPs by the Company to comply with the SEBI requirements does not qualify the Company as a "Listed Company" (as defined under the Companies Act, 2013) and to substantiate the same, the Company has obtained legal opinion which confirms this position.

40 Comparison between provisions required under IRACP and Impairment allowances made under Ind AS 109

(All amounts in INR thousands, unless otherwise stated)

As at March 31, 2021

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	5 = 3-4	6	7 = 4-6
Performing Assets:						
Standard	Stage 1	5,967,653	597	5,967,056	23,871	(23,274)
	Stage 2					
Subtotal		5,967,653	597	5,967,056	23,871	(23,274)
Non-Performing Assets						
Substandard	Stage 3					
Doubtful - up to 1 year	Stage 3					
1 to 3 years	Stage 3					
More than 3 years	Stage 3					
Subtotal for doubtful						
Loss:	Stage 3					
Subtotal for NPA						
Other Items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1					
	Stage 2					
	Stage 3					
Subtotal						
Total	Stage 1	5,967,653	597	5,967,056	23,871	(23,274)
	Stage 2					
	Stage 3					
Total	Total	5,967,653	597	5,967,056	23,871	(23,274)

As at March 31, 2020

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	5 = 3-4	6	7 = 4-6
Performing Assets:						
Standard	Stage 1	6,020,296	602	6,019,694	24,081	(23,479)
	Stage 2					
Subtotal		6,020,296	602	6,019,694	24,081	(23,479)
Non-Performing Assets						
Substandard	Stage 3					
Doubtful - up to 1 year	Stage 3					
1 to 3 years	Stage 3					
More than 3 years	Stage 3					
Subtotal for doubtful						
Loss:	Stage 3					
Subtotal for NPA						
Other Items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1					
	Stage 2					
	Stage 3					
Subtotal						
Total	Stage 1	6,020,296	602	6,019,694	24,081	(23,479)
	Stage 2					
	Stage 3					
Total	Total	6,020,296	602	6,019,694	24,081	(23,479)

41. NBFC disclosures (Continued)

(Amount in Rs.crore)

9. Exposures:
Exposure to Capital Market

Particulars	March 31, 2021	March 31, 2020
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	0.00	0.00
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	40.30	35.50
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security *;	870.33	860.75
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows / issues;	-	-
(viii) all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	910.83	936.26

* This exposure includes advances for any purposes secured by debt-oriented mutual funds and bonds.

The Company has no exposure to real estate sector in the current and previous year.

10. Details of financing of parent company products:

This disclosure is not applicable as the Company does not finance parent company products.

11. Single Borrower Limit (SGL) / Group Borrower Limit (GBL) are not exceeded by the Company.

12. Unsecured Advances – The Company has no Unsecured Advances in the current and previous year.

13. Registration obtained from other financial sector regulators:

The Company is registered with Ministry of Corporate Affairs.

14. Disclosure of Penalties imposed by RBI and other regulators:

No penalties were imposed by RBI and other regulators during current and previous year.

15. Ratings assigned by credit rating agencies and migration of ratings during the year:

Instrument category	March 31, 2021		March 31, 2020	
	Fitch Rating	S&P Global	Fitch Rating	S&P Global
Short term debt	IND A1+	-	IND A1+	-
Long term debt	IND AAA/ Stable	-	IND AAA/ Stable	-
Short term debt	-	CRISIL A1+	-	-

16. Provisions and Contingencies

Particulars	March 31, 2021	March 31, 2020
Break up of 'Provisions and Contingencies' shown under the head Statement of Profit and Loss		
Provisions for depreciation on investment	-	-
Provision towards NPA	-	-
Provision made towards income tax	-	-
Other Provision and Contingencies (with details)	6.07	9.53
Provision made for impairment of trademark arrangements	-	-
Provision for Standard Assets	(0.00)	(2.84)

17. Draw Down from Reserves:

There has been no draw down from reserves during the current and previous year.

18. Concentration of Advances and Exposures:

Particulars	March 31, 2021	March 31, 2020
Concentration of Advances		
Total Advances to twenty largest borrowers	515.68	497.2
% of Advances to twenty largest borrowers to Total Advances	56%	53%
Concentration of Exposures		
Total Exposure to twenty largest borrowers / customers	770.00	836.00
% of Exposures to twenty largest borrowers / customers to Total Exposure	83%	84%
Concentration of NPAs		
Total Exposure to top four NPA accounts	-	-

Particulars	March 31, 2021	March 31, 2020
Sector-wise NPAs (% of NPAs / Total Advances in that sector)		
Agriculture & allied activities	-	-
Micro, small and medium enterprises	-	-
Corporate borrowers	-	-
Services	-	-
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	-	-
Others	-	-

(Amount in Rs. crore)

41 NBFC disclosures (Continued)

19. Disclosure of customer complaints:

Particulars	March 31, 2021	March 31, 2020
	No. of complaints	
No. of complaints pending at the beginning of the year	-	-
No. of complaints received during the year	-	-
No. of complaints redressed during the year	-	-
No. of complaints pending at the end of the year	-	-

The Company has a Customer Grievance Redressal Mechanism for convenience of customers to register their complaints and for the Company to monitor and redress them.

20. In accordance with RBI Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 3, 2016 (Updated upto May 16, 2019), the following are the additional disclosures required under the format as prescribed vide paragraph 16 of Non-Banking Financial Company – Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016:

(1)	Liabilities: Loans and advances availed by the non banking financial company inclusive of interest accrued thereon but not paid:	Amount outstanding		Amount overdue	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(a) Debentures (other than falling within the meaning of public deposits)	-	-	-	-
	(i) Secured	-	-	-	-
	(ii) Unsecured	-	-	-	-
	(b) Deferred Credits	-	-	-	-
	(c) Term Loans	-	-	-	-
	(d) Inter-Corporate Loans and Borrowing	162.00	162.00	-	-
	(e) Commercial Paper	24.74	222.03	-	-
	(f) Other Loans	-	-	-	-
	(i) Short Term Loans	-	-	-	-
	(ii) Bank Overdraft	3.08	-	-	-
	(iii) Line of Credit	-	-	-	-
	Total	189.82	384.03	-	-

(2)	Break-up of Loans and Advances including bills receivables (other than those included in (4) below):	Amount outstanding		Amount overdue	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(a) Secured	596.77	602.03	-	-
	(b) Unsecured	-	-	-	-

(3)	Break up of Leased Assets and stock on hire and other assets counting towards Asset Finance Company ('AFC') activities:	Amount outstanding		Amount overdue	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(i) Lease assets including lease rentals under sundry debtors:	-	-	-	-
	(a) Financial Lease	-	-	-	-
	(b) Operating Lease	-	-	-	-
	(ii) Stock on hire including hire charges under sundry debtors:	-	-	-	-
	(a) Assets on hire	-	-	-	-
	(b) Repossessed assets	-	-	-	-
	(iii) Other loans counting towards Asset Finance Company activities:	-	-	-	-
	(a) Loans where assets have been repossessed	-	-	-	-
	(b) Loans other than (a) above	-	-	-	-

(4)	Break-up of Investments:	Amount outstanding		Amount overdue	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	Current Investments:				
	1 Quoted:				
	(i) Shares:				
	(a) Equity	-	-	-	-
	(b) Preference	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-
	(iii) Units of Mutual Funds	11.01	147.85	-	-
	(iv) Government Securities	-	-	-	-
	(v) Others	-	-	-	-
	2 Unquoted:				
	(i) Shares:				
	(a) Equity	-	-	-	-
	(b) Preference	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-
	(iv) Government Securities	-	-	-	-
	(v) Others	-	-	-	-
	Long Term Investments:				
	1 Quoted:				
	(i) Shares:				
	(a) Equity	-	-	-	-
	(b) Preference	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-
	(iv) Government Securities	-	-	-	-
	(v) Others	-	-	-	-
	2 Unquoted:				
	(i) Shares:				
	(a) Equity	-	-	-	-
	(b) Preference	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-
	(iv) Government Securities	-	-	-	-
	(v) Others	-	-	-	-

Includes investments in HSBC InvestDirect Securities (India) Private Limited of Rs. 30 which is fully provided.

41 NBFC disclosures (Continued)

(Amount in Rs. crore)

Category	March 31, 2021			March 31, 2020		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1 Related Parties**						
(a) Subsidiaries						
(b) Companies in the same group						
(c) Other related parties						
2 Other than related parties	596.71	-	596.71	601.97	-	601.97
Total	596.71	-	596.71	601.97	-	601.97

** As per Accounting Standard issued by Institute of Chartered Accountants of India (ICAI)

Category	March 31, 2021		March 31, 2020	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1 Related Parties**				
(a) Subsidiaries				
(b) Companies in the same group				
(c) Other related parties				
2 Other than related parties*	11.01	11.00	147.85	147.89
Total	11.01	11.00	147.85	147.89

* Investment in MF scheme of H5BC group

** As per Accounting Standard issued by Institute of Chartered Accountants of India (ICAI)

Particulars	March 31, 2021	March 31, 2020
	Amount	Amount
(i) Gross Non-Performing Assets		
(a) Related Parties		
(b) Other than Related Parties		
(ii) Net Non-Performing Assets		
(a) Related Parties		
(b) Other than Related Parties		
(iii) Assets acquired in satisfaction of debts		

Notes:

- As defined in point xiv of paragraph 3 of Chapter -2 of these Directions.
- Provisioning norms shall be applicable as prescribed in these Directions.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up / fair value / NAV in respect of unquoted investments shall be disclosed irrespective of whether they are classified as long term or current in (b) above.

21. Movement of Non Performing Assets (NPAs):

Particulars	March 31, 2021	March 31, 2020
(a) Net NPAs to Net Advances (%)		
(b) Movement of NPAs (Gross)		
(i) Opening balance		
(ii) Additions during the year		
(iii) Reductions during the year		
(iv) Closing balance		
(c) Movement of Net NPAs		
(i) Opening balance		
(ii) Additions during the year		
(iii) Reductions during the year		
(iv) Closing balance		
(d) Movement of provisions for NPAs (excluding provisions on standard assets)		
(i) Opening balance		
(ii) Provisions made during the year		
(iii) (Write-off) / write-back		
(iv) Closing balance		

22. In accordance with RBI Notification No. DNBS.CC.PD.No. 355/03.10.01/2013-14 dated January 8, 2014, the Company has not lent against gold jewellery during the year ended 31 March 2021 (Previous year: Rs. Nil)

23. Information on instances of fraud:

No instances of fraud observed in current and previous year.

24. The Company does not have any restructured accounts.

25. The Company does not have any DR-balance sheet SPVs sponsored.

26. During the current as well as previous year, the Company has not postponed revenue recognition on account of pending uncertainties.

27. The Company does not have any overseas joint venture / subsidiary.

28. Remuneration of Directors:

There is no pecuniary relationship or transactions of the non-executive directors vis-à-vis the company, other than director sitting fees as disclosed in note 27.

29. Ind AS 110 - Consolidated Financial Statements (CFS):

The company does not have any subsidiary and hence no consolidated financial statements required to be prepared under Ind AS 110.

42. In accordance with the RBI Circular No. RBI/2021-22/17 DCR,STR,REC-4/21.04.048/2021-22 dated April 7, 2021 and the methodology for calculation of interest on interest based on guidance issued by Indian Banks' Association, the Company has put in place a board approved policy to refund / adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020. The Company has estimated the said amount and made a provision in the financial statements for the year ended March 31, 2021. As on March 31, 2021, the Company holds a specific liability of Rs. 831 (in 000's) which is debited to Interest Income to meet its obligation towards refund of interest on interest to eligible borrowers as prescribed by the RBI.

43. Public disclosure on liquidity risk

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

As at March 31, 2021

Sr. No.	Number of significant counterparties	Amount (INR Crore)	% of Total Deposit	% of Total Liabilities *
1	Commercial Paper from 1 Mutual fund company	25	NA	12.7%
2	Loan from holding company	162	NA	82.9%
3	Overdraft from HDFC Bank Ltd.	3	NA	1.6%

As at March 31, 2020

Sr. No.	Number of significant counterparties	Amount (INR Crore)	% of Total Deposit	% of Total Liabilities *
1	Commercial Paper from 3 Mutual fund companies	222	NA	57.2%
2	Loan from holding company	162	NA	41.7%

(ii) Top 20 large deposits (amount in ₹ crore and % of total deposits) - Not Applicable

(iii) Top 10 borrowings (amount in ₹ crore and % of total borrowings)

Sr. No.	Type of Borrowing	As at March 31, 2021		As at March 31, 2020	
		Amount	% of borrowings	Amount	% of borrowings
1	Commercial paper	25	19.0%	222	57.8%
2	Loan from holding company	162	85.4%	162	42.2%
3	Overdraft from Bank	3	1.6%	-	-
	Total	190	100%	384	100%

(iv) Funding Concentration based on significant instrument/product

Sr. No.	Number of instrument / product	As at March 31, 2021		As at March 31, 2020	
		Amount (INR Crore)	% of Total Liabilities *	Amount (INR Crore)	% of Total Liabilities *
1	Commercial paper	25	12.7%	222	57.2%
2	Loan from holding company	162	82.9%	162	41.7%
3	Overdraft from Bank	3	1.6%	-	-

(v) Stock Ratios:

Sr. No.	Particulars	March 31, 2021	March 31, 2020
1	Commercial Paper To Total Public Funds	NA	NA
2	Commercial Paper To Total Liabilities*	12.7%	57.2%
3	Commercial Paper To Total Assets	3.7%	26.4%
4	NCD (original maturity < 1 year) To Total Public Funds	NA	NA
5	NCD (original maturity < 1 year) To Total Liabilities*	NA	NA
6	NCD (original maturity < 1 year) To Total Assets	NA	NA
7	Other short-term liabilities To Total Public Funds	NA	NA
8	Other short-term liabilities To Total Liabilities*	3.6%	0.7%
9	Other short-term liabilities To Total Assets	1.1%	0.3%

(vi) Institutional set-up for liquidity risk management

HSBC InvestDirect Financial Services (India) Limited has Board approved policy for managing its liquidity risk. The liquidity risk would be monitored in Asset Liability Management Committee / Risk Management Committee on a monthly basis.

* Total Liabilities is excluding Equity and reserves.

In terms of our report for even date.

For Price Waterhouse Chartered Accountants LLP
Firm's Registration No: 012754N/N500016

**RUSSELL
IVAN
PARERA**
Digitally signed by
RUSSELL IVAN
PARERA
Date: 2021.06.28
21:07:57 +05'30'

Russell I Parera
Partner
Membership No: 042190

Mumbai
June 28, 2021

For and on behalf of the Board of Directors
HSBC InvestDirect Financial Services (India) Limited

**SHARADA
SAGAR
SANGEKAR**
Digitally signed by
SHARADA SAGAR
SANGEKAR
Date: 2021.06.28
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Sharada Sangekar
Chairperson
(DIN 07788255)

**SUNITA
ALOK
SARDA**
Digitally signed
by SUNITA ALOK
SARDA
Date: 2021.06.28
19:20:49 +05'30'

Sunita Sarada
Chief Financial Officer

Mumbai
June 28, 2021

**SHANTANU
SHANKAR**
Digitally signed by
SHANTANU
SHANKAR
Date: 2021.06.28
19:54:19 +05'30'

Shantanu Shankar
Managing Director
(DIN 08054929)

**SNEHA
DEVANG
DOSHI**
Digitally signed
by SNEHA
DEVANG DOSHI
Date: 2021.06.28
19:02:49 +05'30'

Sneha Doshi
Company Secretary

**FINANCIAL STATEMENTS OF
HSBC INVESTDIRECT
FINANCIAL SERVICES (INDIA)
LIMITED
FOR THE FINANCIAL YEAR
2019-2020**

Price Waterhouse Chartered Accountants LLP

Independent auditors' report

To the Members of HSBC InvestDirect Financial Services (India) Limited

Report on the audit of the financial statements

Opinion

1. We have audited the accompanying financial statements of HSBC InvestDirect Financial Services (India) Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

Basis for opinion

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

Emphasis of Matter

4. We draw your attention to Note 38 to the financial statements, which describes the management's assessment of the impact of the outbreak of Coronavirus (Covid-19) on the business operations of the Company. The management believes that no adjustments are required in the financial statements as it does not impact the current financial year, however, in view of the various preventive measures taken (such as complete lock-down restrictions by the Government of India, travel restrictions etc.) and highly uncertain economic environment, a definitive assessment of the impact on the subsequent periods is highly dependent upon circumstances as they evolve. Our opinion is not modified in respect of this matter.

Other Information

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board of Director's report, but does not include the financial statements and our auditor's report thereon. The Board of

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Registered office and Head office: Sucheta Bhawan, 11A Vishnu Digambar Marg, New Delhi 110 002

Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LUPIN AAC-5001) with effect from July 25, 2014. Post its Conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/N500016 (ICAI registration number before conversion was 012754N)



Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on audit of the Financial Statements
Page 2 of 5

Director's report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Board of Director's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action as applicable under the relevant laws and regulations

Responsibilities of management and those charged with governance for the Financial Statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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



Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on audit of the Financial Statements
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9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on audit of the Financial Statements
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Report on other legal and regulatory requirements

12. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
13. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations as at March 31, 2020 which would impact its financial position.
 - ii. The Company has made provision as at March 31, 2020, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts - Refer Note 5 and 36.1. The Company did not have any derivative contracts as at March 31, 2020.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2020.
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2020.



Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on audit of the Financial Statements
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14. During the year ended March 31, 2020 the Company has not paid/provided any managerial remuneration under the provisions of Section 197 read with Schedule V to the Act. Accordingly, reporting under Section 197(16) of the Act is not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016



Sharad Agarwal
Partner
Membership Number 118522

UDIN: 20118522AAAACR6124

Mumbai
June 25, 2020

Price Waterhouse Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 13(f) of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2020

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of HSBC InvestDirect Financial Services (India) Limited (the "Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.



Price Waterhouse Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 13(f) of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2020

Page 2 of 2

Meaning of Internal Financial Controls with reference to financial statements

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

Inherent Limitations of Internal Financial Controls with reference to financial statements

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

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. Also refer paragraph 4 of the main audit report.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016



Sharad Agarwal
Partner
Membership Number: 118522

UDIN: 20118522AAAACR6124

Mumbai
June 25, 2020

Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 12 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2020

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets of the Company have been physically verified by the Management at the year end and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.

(c) The title deeds of immovable properties, as disclosed in Note 9 – Property, Plant and Equipment on fixed assets to the financial statements, are held in the name of the Company.
- ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act, to the extent applicable, in respect of the loans or investments made, or guarantees or security provided by it.

The Company has not granted any loans or provided any guarantee or security, in connection with any loan taken by the parties covered under Section 185 of the Act. Therefore, the provisions of section 185 of the Act are not applicable to the Company.

- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of Income Tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, income tax, cess, goods and service tax and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, service-tax, duty of customs, and duty of excise or value added tax or goods and service tax which have not been deposited on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.



Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 12 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2020.

Page 2 of 2

- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. During the year ended March 31, 2020, the Company has not paid/provided any managerial remuneration under the provisions of Section 197 read with Schedule V to the Act. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable to the Company. Also refer paragraph 14 of our main audit report.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is required to, and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a Non-Banking Finance Institution.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016



Sharad Agarwal
Partner
Membership Number: 118522

UDIN: 20118522AAAACR6124

Mumbai
June 25, 2020

HSBC InvestDirect Financial Services (India) Limited
Balance sheet as at March 31, 2020

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	As at March 31, 2020	As at March 31, 2019
ASSETS			
Financial assets			
Cash and cash equivalents	3	344,019	758
Bank balance other than cash and cash equivalents	4	263,108	262,992
Loans	5	6,019,694	7,266,673
Investments	6	1,478,479	-
Other financial assets	7	154,729	4,579
Non-financial assets			
Current tax assets (Net)	8	141,689	180,711
Deferred tax assets (Net)	18	2,980	12,604
Property, plant and equipment	9	1,889	2,835
Intangible assets	10	-	251
Intangible assets under development	10	3,400	-
Other non-financial assets	11	3,829	2,304
Total assets		8,413,816	7,733,707
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables			
(I) Trade payables	12		
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		9,367	6,703
Debt securities	13	2,220,322	1,730,517
Borrowings (other than debt securities)	14	1,620,000	1,699,942
Other financial liabilities	15	794	1,200
Non-financial Liabilities			
Current tax liabilities (Net)	16	10,686	6,296
Provisions	17	18,637	18,033
Other non-financial liabilities	19	2,627	2,576
EQUITY			
Equity share capital	20	1,462,847	1,462,847
Other equity	21	3,068,536	2,805,593
Total equity		4,531,383	4,268,440
Total liabilities and equity		8,413,816	7,733,707

The above balance sheet should be read in conjunction with the accompanying notes.
This is the balance sheet referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited



Sharad Agarwal
Partner
Membership No: 118522

Mumbai
June 25, 2020



Sharada Sangekar
Chairperson
(DIN 07788255)



Sunita
Chief Financial Officer

Mumbai
June 25, 2020



Shantanu Shankar
Managing Director
(DIN 08054929)



Sneha Doshi
Company Secretary

HSBC InvestDirect Financial Services (India) Limited
Statement of Profit and Loss for the year ended March 31, 2020

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	Mar 31, 2020	Mar 31, 2019
Revenue from operations			
Interest income	22(a)	688,675	512,790
Dividend income on financial instruments at fair value through other comprehensive income		-	2,015
Reversal of impairment on financial instruments	26	28,384	-
Net gain on fair value changes	22(b)	6,836	23
Total revenue from operations		723,895	514,828
Other income	23	24,281	74,066
Total income		748,176	588,894
Expenses			
Finance costs	24	295,719	160,938
Employee benefits expenses	25	40,554	38,855
Impairment on financial instruments	26	-	11,167
Depreciation and amortisation	9 & 10	1,764	2,516
Others expenses	27	51,294	50,581
Total expenses		389,331	264,057
Profit before tax		358,845	324,837
Income tax expense:			
- Current tax	28	85,693	96,921
- Deferred tax	28	9,624	(2385)
Total tax expense		95,317	94,536
Profit for the year		263,528	230,301
Other comprehensive income			
i) Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations	30	(782)	(187)
- Changes in the fair value of equity investments at FVOCI *		-	(1337)
		197	56
ii) income tax relating to items that will not be reclassified to profit or loss			
Other comprehensive profit/(loss) for the year		(585)	(1,468)
Total comprehensive income for the year		262,943	228,833
Earnings per equity share (Nominal value of Rs. 10 per share)			
- Basic and Diluted (Rs.)		1.80	1.57

* There is no deferred tax impact on these fair value changes

The above statement of profit and loss should be read in conjunction with the accompanying notes.
This is the Statement of Profit and Loss referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited


Sharad Agarwal
Partner
Membership No: 118522

Mumbai
June 25, 2020


Sharada Sangekar
Chairperson
(DIN 07788255)


Sunita
Chief Financial Officer

Mumbai
June 25, 2020


Shantanu Shankar
Managing Director
(DIN 08054929)


Sneha Doshi
Company Secretary

HSBC InvestDirect Financial Services (India) Limited
Statement of changes in equity as at March 31, 2020

(All amounts in INR thousands, unless otherwise stated.)

A. Equity share capital

Particulars	Number of shares	Amount
As at March 31, 2020	146,284,720	1,462,847
As at March 31, 2019	146,284,720	1,462,847

B. Other equity

Particulars	Reserves and surplus				Retained earnings	Other reserves Equity Instruments through Other Comprehensive Income	Total other equity
	Securities premium	Statutory reserve	Impairment reserve	General reserve			
As at March 31, 2018	1,934,680	292,856	-	17,000	304,120	28,104	2,576,760
Profit for the period	-	-	-	-	230,301	-	230,301
Other comprehensive income	-	-	-	-	(131)	(1,337)	(1,468)
Total comprehensive income for the year	-	-	-	-	230,170	(1,337)	228,833
Transfer to Special Reserve under section 45-IC of the RBI Act	-	46,174	-	-	(46,174)	-	(0)
Transfer to Retained Earnings	-	-	-	-	26,767	(26,767)	0
As at March 31, 2019	1,934,680	339,030	-	17,000	514,883	-	2,805,593
Profit for the period	-	-	-	-	263,528	-	263,528
Other comprehensive income	-	-	-	-	(585)	-	(585)
Total comprehensive income for the year	-	-	-	-	262,943	-	262,943
Transfer to Special Reserve under section 45-IC of the RBI Act	-	52,706	-	-	(52,706)	-	-
Transfer to Impairment Reserve	-	-	23,479	-	(23,479)	-	-
As at March 31, 2020	1,934,680	391,736	23,479	17,000	701,641	-	3,068,536

The above statement of changes in equity should be read in conjunction with the accompanying notes.

This is the Statement of changes in equity referred to in our report of even date.

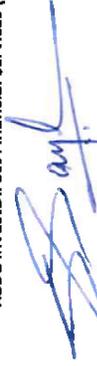
For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP

Firm Registration No: 012754N/NS000016


Sharad Agarwal
Partner
Membership No: 118522

Mumbai
June 25, 2020

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited


Sharada Sangekar
Chairperson
(DIN 07788255)


Sumita Sarda
Chief Financial Officer

Mumbai
June 25, 2020


Shantanu Shankar
Managing Director
(DIN 08054929)


Sneha Doshi
Company Secretary

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	March 31, 2020	March 31, 2019
CASH FLOW FROM OPERATING ACTIVITIES :			
Profit before tax:		358,845	324,837
Adjustments :			
Depreciation and amortisation	9 & 10	1,764	2,516
Impairment on financial instruments	26	(28,384)	11,167
Interest accrued on debt securities		23,744	14,184
Interest income on bank deposits	22(a)	(22,574)	(18,415)
Unrealised gain on Mutual Fund		(4,543)	-
Interest on income tax refund	23	(23,723)	(72,244)
Sundry balance written back	23	-	(1,427)
Operating profit before working capital changes		305,129	260,618
Adjustments for working capital changes:			
Loans	5	1,275,363	(2,814,359)
Bank balance other than cash and cash equivalent	4	(166)	(480)
Other financial assets	7	(150,150)	(889)
Intangible assets under development		(3,400)	-
Other non financial assets	11	(1,525)	(691)
Adjustments for increase/ (decrease) in operating liabilities			
Trade payables	12	2,664	1,209
Other financial liabilities	15	(406)	(1,400)
Provisions	17	(178)	(437)
Other non financial liabilities	19	51	148
Cash generated from operations		1,122,253	(2,816,899)
Less : Income taxes paid (net of refunds)		(18,929)	107,380
Net cash inflow / (outflow) from operating activities		1,408,453	(2,448,901)
CASH FLOW FROM INVESTING ACTIVITIES :			
Placement of fixed deposit with bank		(1,914,950)	(359,000)
Proceeds from fixed deposit with bank		1,915,000	359,300
Interest income on bank deposits	22(a)	22,574	18,415
Proceed on sale of investments		-	47,816
Investment in Mutual Fund		(1,473,936)	-
Net cash inflow / (outflow) from investing activities		(1,451,312)	66,531
CASH FLOW FROM FINANCING ACTIVITIES :			
Proceeds from borrowings		10,203,450	8,771,600
Repayment of borrowings		(10,169,850)	(8,219,400)
Proceeds from issue of debt securities		10,261,299	5,395,129
Repayment of debt securities		(9,795,237)	(3,678,796)
Net cash inflow / (outflow) from financing activities		499,662	2,268,533
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		456,803	(113,837)
Add : Cash and cash equivalents at beginning of the year		(112,784)	1,053
Cash and cash equivalents at end of the year		344,019	(112,784)

Reconciliation of cash and cash equivalents as per the cash flow statement

Cash and cash equivalents as per above comprise of the following

Particulars		As at March 31, 2020	As at March 31, 2019
Cash and cash equivalents	3	344,019	758
Bank overdrafts	14	-	(113,542)
Balances as per statement of cash flows		344,019	(112,784)

Note:

i) Amount spent in cash towards Corporate Social Responsibility is INR 5,466 (March 2019: 4,975)

ii) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented. Refer note 14.

Particulars	As at March 31, 2020	As at March 31, 2019
Cash and cash equivalents, bank overdrafts	344,019	(112,784)
Liquid investments	1,478,479	-
Debt securities - commercial paper	(2,220,322)	(1,730,517)
Borrowings - loans from related parties	(1,620,000)	(1,586,400)
Net debt	(2,017,824)	(3,429,701)

The above statement of cash flows should be read in conjunction with the accompanying notes.

The above statement of cash flows has been prepared under the indirect method as set out in Ind AS 7 on Statement of Cash Flows

This is the statement of cash flows referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

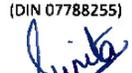
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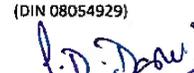

Shared Agarwal
Partner
Membership No: 118522


Sharada Sangekar
Chairperson
(DIN 07788255)


Shantanu Shankar
Managing Director
(DIN 08054929)

Mumbai
June 25, 2020


Sunita Sarda
Chief Financial Officer


Sneha Doshi
Company Secretary

Mumbai
June 25, 2020

1 Background

HSBC InvestDirect Financial Services (India) Limited ('HIFSL or the Company') is registered as a Non Banking Financial Company ('NBFC') (non-deposit accepting) as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934. The Company is a wholly owned subsidiary of HSBC InvestDirect (India) Limited.

The Company is domiciled in India and primarily engaged in the business of financing against securities including equity shares, bonds, mutual funds, sovereign bonds, Treasury bills and Government Securities. As per RBI circular dated February 22, 2019 on Harmonisation of different categories of NBFCs, the Company is classified as an Investment and Credit Company (NBFC - ICC). Prior to this circular, the Company was classified as a Loan Company.

2A Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

i) Basis of preparation

Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) (Companies (Indian Accounting Standards) Rules, 2015), other relevant provisions of the Act and guidelines along with circulars issued by the RBI from time to time.

Historical cost convention

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

- certain financial assets and liabilities are measured at fair value; and
- defined benefit plans - plan assets are measured at fair value.

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing April 01, 2019:

- Ind AS 116, Lease accounting
- Uncertainty over Income Tax Treatments - Appendix C to Ind AS 12, Income Taxes
- Plan Amendment, Curtailment or Settlement - Amendments to Ind AS 19, Employee Benefits
- Amendment to Ind AS 12, Income Taxes
- Amendment to Ind AS 23, Borrowing Costs

The Company had to change its accounting policies as a result of adopting Ind AS 116. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Presentation

The Company is covered in the definition of Non-Banking Financial Company as defined in Companies (Indian Accounting Standards) (Amendment) Rules, 2016. The Company presents its financial statements in accordance with Division III of Schedule III to the Companies Act, 2013. A maturity analysis of recovery or settlement of assets and liabilities within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 34.

ii) Segment reporting

The Company's Chief Operating Decisions Maker (CODM), who has the ability to evaluate performance and allocates resources, is the Managing Director (MD). In a manner consistent with the internal reporting provided to the MD for corporate planning, there are no separate reportable segments (including geographical segments).

iii) Property, plant and equipment

Freehold land is carried at historical cost. Items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value

Depreciation on the following assets has been based on the management's estimate of useful life/ remaining useful life. The residual values are not more than 5% of the original cost of the asset.

- (a) Mobile phones included in Office Equipments are depreciated at 100% in the year of capitalisation.
- (b) Assets, each costing Rs.5,000 or less are depreciated at 100% in the year of capitalisation.
- (c) Useful life of other assets is estimated as under:

Category of assets	Useful lives followed by company (years)	Useful lives prescribed in Schedule II (years)
Office Equipments	5	5
Data Processing Equipments - Laptop	3	3
Data Processing Equipments – Servers	3	6

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).



iv) Intangible assets:

Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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

Amortisation methods and periods

The company amortises intangible assets using the straight-line method over the following periods:

Category of assets	Useful lives followed by company (years)
Computer Softwares	3 years or license life

v) Investments & other financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

For investments in debt instruments, this will depend on the classification of debt instruments depending on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset (Solely payments of principal and interest).

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the asset's performance and the business model is evaluated and reported to key management personnel
- the risks that affect the performance of the business model and how these risks are assessed and managed
- how managers are compensated.

As a second step of its classification process the Company assesses the contractual terms of financial instrument to identify whether they meet the SPPI test, where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit and loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition

Regular way of purchase and sales of financial assets are recognised on trade date the date on which the Company commits purchase or sale of financial asset.

(c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit and loss.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows or for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in statement of profit and loss.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in profit and loss.



Equity instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial liabilities and equity instrument

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

Financial liabilities

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in profit or loss. Any gain or loss on de-recognition of financial liabilities is also recognised in profit or loss. Undrawn loan commitments are not recorded in the balance sheet.

(d) Impairment of financial assets

The company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 36 details how the company determines whether there has been a significant increase in credit risk.

The company hold impairment allowances as required by Ind AS. The company also maintain the asset classification and compute provisions as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) including borrower/beneficiary wise classification, provisioning for standard as well as restructured assets, NPA ageing, etc. A comparison between provisions required under IRACP and impairment allowances made under Ind AS 109 should be disclosed by the company in note 40.

In line with the requirements of the Companies Act and RBI guidelines, an ECL policy is designed to assess and provide for impairment allowance on the credit exposures based on the projected 12 M expected loss model. The provisioning is dependent on the portfolio mix, nature of product ad loan impairments basis sound judgment and estimates. The policy broadly defines the methodology of the ECL model, its impact on the impairment provisioning and accounting treatment, its impact on the regulatory capital and ratios. The model compares the provisioning under the RBI prudential guidelines and standard asset provisioning guidelines to arrive at fair estimate of provisioning of Impairment allowance.

(e) Derecognition

Financial assets

A financial asset is derecognised only when

1. The company has transferred the rights to receive cash flows from the financial asset or
2. retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the company has not retained control of the financial asset. Where the company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in profit and loss.

(f) Income recognition

Interest income

Interest income from financial assets at fair value through profit or loss is disclosed as interest income under revenue from operations. Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method is recognised in the statement of profit and loss under revenue from operations. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).



vi) Employee Benefits:

(a) Short-term obligations

Liabilities for salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as employee benefit obligations in the balance sheet.

(b) Post employment obligations

The Company operates the following post-employment schemes:

- defined benefit plans such as gratuity and
- defined contribution plans such as provident fund.

(1) Defined benefit plans (Gratuity)

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(2) Provident fund

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.

(c) Bonus

The Company recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

vii) Income Tax:

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

viii) Cash and cash equivalents:

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in financial liabilities in the balance sheet.

ix) Special Reserve:

In accordance with section 45-IC of the RBI Act, 1934, the Company creates a reserve fund and transfers therein a sum not less than twenty percent of its net profit before any dividend is declared every year end, and is disclosed in the other equity.



x) Provisions and Contingent Liabilities:

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent Liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or reliable estimate of the amount cannot be made, is termed and disclosed as contingent liability.

xi) Leases - as a lessee

Till March 31, 2019

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

With effect from April 1, 2019

Until FY 2018-19, leases of property, plant and equipment were classified as either finance leases or operating leases. From April 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

xii) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

1. the profit attributable to owners of the company
2. by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

1. the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
2. the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.



xiii) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and trade and other payables are presented as financial liabilities.

xiv) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

xv) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss as other gains/(losses).

xvi) Standards issued but not yet effective

New standards or amendment to existing standards are effective only when notified by the Ministry of Corporate Affairs (MCA). As at the date of this publication, there are no new standards or amendments which have been notified by the MCA but not yet adopted by the Company.

xvii) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousands as per the requirement of Schedule III, unless otherwise stated

2B Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates of judgements are:

- Estimation of current tax expense and current tax payable
- Estimation of defined benefit obligation
- Recognition of deferred tax assets for carried forward tax losses
- Estimation of expected credit losses



HSBC InvestDirect Financial Services (India) Limited

Notes to financial statements for the year ended March 31, 2020 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

3 Cash and cash equivalents

Particulars	As at March 31, 2020	As at March 31, 2019
Balances with banks in current account	16,969	758
Deposits with maturity less than 3 months	327,050	-
Total	344,019	758

4 Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2020	As at March 31, 2019
Deposits with maturity more than 3 months but less than 12 months (held as lien against overdraft from bank)*#	263,108	262,992
Total	263,108	262,992

* Includes accrued Interest on deposit with bank for March 31, 2020: 3,108; March 31, 2019: 2,992

Includes deposits which are held as lien against bank overdraft. As at March 31, 2020: 260,000; March 31, 2018: 262,992

5 Loans (measured at amortised cost)

Particulars	As at March 31, 2020	As at March 31, 2019
Loans against securities*	6,020,296	7,295,659
Total (A) - Gross	6,020,296	7,295,659
(Less): Impairment loss allowance	(602)	(28,986)
Total (A) - Net	6,019,694	7,266,673
Secured by tangible assets (by way of pledge over securities)	6,020,296	7,295,659
Total (B) - Gross	6,020,296	7,295,659
(Less): Impairment loss allowance	(602)	(28,986)
Total (B) - Net	6,019,694	7,266,673
Loans in India		
- Public sector	-	-
- Others	6,020,296	7,295,659
Total (C) - Gross	6,020,296	7,295,659
(Less): Impairment loss allowance	(602)	(28,986)
Total (C) - Net	6,019,694	7,266,673

* Includes Interest accrued but not due for March 31, 2020: 32,986; March 31, 2019: 49,171



6 Investments

Particulars	Fair value through profit & loss	Fair value through other comprehensive income	Others #	Total
As at March 31, 2019				
Mutual Fund	-	-	-	-
Associates				
-HSBC InvestDirect Securities (India) Private Limited	-	-	300,000	300,000
Total (A) - Gross	-	-	300,000	300,000
Investments outside India	-	-	-	-
Investments in India	-	-	300,000	300,000
Total (B) - Gross	-	-	300,000	300,000
Total - Gross	-	-	300,000	300,000
(Less): Impairment loss allowance (C)	-	-	(300,000)	(300,000)
Total (D) - Net	-	-	-	-
As at March 31, 2020				
Mutual Fund	1,478,479	-	-	1,478,479
HSBC InvestDirect Securities (India) Private Limited*	-	-	-	-
Total (A) - Gross	1,478,479	-	-	1,478,479
Investments outside India	-	-	-	-
Investments in India	-	-	-	-
Total (B) - Gross	-	-	-	-
Total - Gross	1,478,479	-	-	1,478,479
(Less): Impairment loss allowance (C)	-	-	-	-
Total (D) - Net	1,478,479	-	-	1,478,479

The Company has measured its investment in associates at cost as per Ind AS 28.

* The Company has measured its investment in HSBC InvestDirect Securities (India) Private Limited in the current year at fair value through other comprehensive income, since the Company is no longer an associate company as per IND AS 28. The fair value of this investment on initial recognition is estimated at Nil amount.



HSBC InvestDirect Financial Services (India) Limited

Notes to financial statements for the year ended March 31, 2020 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

7 Other financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Security deposits	4,579	4,579
Margin deposits	150,000	-
CDSL deposit	150	-
Total	154,729	4,579

8 Current tax assets (Net)

Particulars	As at March 31, 2020	As at March 31, 2019
Advance tax and tax deducted at source (net of provision for tax 588,143, March 31 2019: 604,590)	141,689	180,711
Total	141,689	180,711

9 Property, plant and equipment

Particulars	Own Assets			Total
	Land	Data processing machineries	Office Equipments	
Gross carrying amount				
Opening gross carrying amount	378	5,358	219	5,955
Additions	-	-	-	-
Disposals and transfers	-	-	-	-
Closing gross carrying amount	378	5,358	219	5,955
Accumulated depreciation				
Opening accumulated depreciation	-	1,043	52	1,095
Depreciation charge during the year	-	1,864	161	2,025
Disposals and transfers	-	-	-	-
Closing accumulated depreciation	-	2,907	213	3,120
Net carrying amount as at March 31, 2019	378	2,451	6	2,835
Gross carrying amount				
Opening gross carrying amount	378	5,358	219	5,955
Additions	-	60	507	567
Disposals and transfers	-	-	-	-
Closing gross carrying amount	378	5,418	726	6,522
Accumulated depreciation				
Opening accumulated depreciation	-	2,907	213	3,120
Depreciation charge during the year	-	1,482	30	1,512
Disposals and transfers	-	-	-	-
Closing accumulated depreciation	-	4,389	243	4,633
Net carrying amount as at March 31, 2020	378	1,029	482	1,889



10 Intangible assets

Particulars	Computer softwares
Gross carrying amount	
Opening gross carrying amount	1,233
Additions	-
Disposals and transfers	-
Closing gross carrying amount	1,233
Accumulated amortisation	
Opening accumulated amortisation	491
Amortisation during the period	491
Disposals and transfers	-
Closing accumulated amortisation	982
Net carrying amount as at March 31, 2019	251
Gross carrying amount	
Opening gross carrying amount	1,233
Additions	-
Disposals and transfers	-
Closing gross carrying amount	1,233
Accumulated amortisation	
Opening accumulated amortisation	982
Amortisation during the period	251
Disposals and transfers	-
Closing accumulated amortisation	1,233
Net carrying amount as at Mar 31, 2020	-

Intangible assets under development

Gross carrying amount	
Opening gross carrying amount	-
Additions	-
Disposals and transfers	-
Closing gross carrying amount as at March 31, 2019	-
Gross carrying amount	
Opening gross carrying amount	-
Additions	3,400
Disposals and transfers	-
Closing gross carrying amount as at March 31, 2020	3,400

11 Other non-financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Prepayments	3,829	2,293
Others	-	11
Total	3,829	2,304



HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2020 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

12 Trade payables

Particulars	As at March 31, 2020	As at March 31, 2019
- Total outstanding dues of micro enterprises and small enterprises	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	9,367	6,703
Total	9,367	6,703

The below information as required under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) has been determined to the extent such parties have been identified on the basis of information received from suppliers regarding their status under the said Act as available with the Company.

Particulars	As at March 31, 2020	As at March 31, 2019
Outstanding principal amount and interest due to suppliers registered under MSMED Act and remaining unpaid at the year end:		
- Principal amount	-	-
- Interest due thereon	-	-
Interest paid other than under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Interest paid under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Amount of the payment made to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Amount of interest due and payable (where the principal has already been paid but interest has not been paid).	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of MSMED Act.	-	-



13 Debt securities

Particulars	As at	As at
	March 31, 2020	March 31, 2019
At amortised cost		
Unsecured:		
- Commercial paper	2,220,322	1,730,517
Total (A)	2,220,322	1,730,517
Debt securities in India	2,220,322	1,730,517
Debt securities outside India	-	-
Total (B)	2,220,322	1,730,517

Terms of repayment schedule of debt securities:-

Instrument with repayment terms	Maturity Date	31-Mar-20		
		Interest Rate Range (% p.a.)	Carrying amount	Face Value
Commercial paper				
Repayable at Maturity	04-08-2020	7.80%	730,708	750,000
	11-06-2020	6.60%	493,684	500,000
	22-04-2020	7.20%	995,930	1,000,000
Total			2,220,322	2,250,000

14 Borrowings (other than debt securities)

Particulars	As at	As at
	March 31, 2020	March 31, 2019
At amortised cost		
Secured		
Loan repayable on demand	-	113,542
-Overdraft from Bank#		
Interest rate is 8.14% for Apr 19 to Mar 20 (Interest rate ranges from 7.85% p.a. to 7.90% p.a. for FY 2018-19)		
Unsecured		
Loans from related parties		
Loan from the holding company \$	1,620,000	1,586,400
Interest rate ranges 5.94% p.a. to 7.98% p.a. for Apr 19 to Mar 20 (6.75% p.a. to 8.20% p.a. for FY 2018-19)		
Total (A)	1,620,000	1,699,942
Borrowings in India	1,620,000	1,699,942
Borrowings outside India	-	-
Total (B)	1,620,000	1,699,942

Fully secured against fixed deposit (note 4)

\$ The tenor of the loan is 36 months from the date of respective disbursement with bullet repayment on maturity or at the option of the borrower.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Cash and cash equivalents, bank overdrafts	344,019	(112,784)
Liquid investments	1,478,479	-
Debt securities - commercial paper	(2,220,322)	(1,730,517)
Borrowings - loans from related parties	(1,620,000)	(1,586,400)
Net debt	(2,017,824)	(3,429,701)

Particulars	Cash and cash equivalents, overdraft	Liquid investments	Debt securities - commercial paper	Borrowings - loans from related parties
Net debt as at April 1, 2018	1,053	-	-	(1,034,200)
Cash flows movement (net)	(113,837)	-	(1,716,333)	(552,200)
Interest expense	(545)	-	(85,388)	(75,005)
Interest paid	545	-	71,204	75,005
Other non-cash movements				
- Fair value adjustments	-	-	-	-
- Unamortised discount	-	-	-	-
- Acquisitions/disposals	-	-	-	-
Net debt as at March 31, 2019	(112,784)	-	(1,730,517)	(1,586,400)
Cash flows movement (net)	456,803	1,478,479	(466,062)	(33,600)
Interest expense	(968)	-	(218,507)	(73,701)
Interest paid	968	-	194,764	73,701
Other non-cash movements				
- Fair value adjustments	-	-	-	-
- Unamortised discount	-	-	-	-
- Acquisitions/disposals	-	-	-	-
Net debt as at March 31, 2020	344,019	1,478,479	(2,220,322)	(1,620,000)

15 Other financial liabilities

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Employee benefits payable	794	1,200
Total	794	1,200



HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2020 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

16 Current tax liabilities (Net)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for income tax (net of advance tax 277,222, March 31, 2019: 181,164)	10,686	6,296
Total	10,686	6,296

17 Provisions

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
-Leave obligation	553	554
-Gratuity (Refer Note 30)	1,911	1,306
Provision for property tax*	16,173	16,173
Total	18,637	18,033

* The movement in provision for property tax is as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Opening balance	16,173	16,173
Additions during the year	-	-
Amounts used	-	-
Unused amounts reversed	-	-
Closing balance	16,173	16,173

18 Deferred tax assets (Net)

Particulars	As at March 31, 2020	As at March 31, 2019
Depreciation/amortization - property, plant and equipment/ Intangible asset	2,480	3,651
Employee's benefit obligations	200	350
Provision	140	162
Impairment allowance for loans	160	8,441
Net deferred tax asset/ (liability)	2,980	12,604

19 Other non-financial liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory dues payable including provident fund and tax deducted at source	2,627	2,576
Total	2,627	2,576



20 Equity share capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number of shares	Rs.	Number of shares	Rs.
Authorised shares				
Equity shares of Rs. 10 each	147,000,000	1,470,000	147,000,000	1,470,000
Issued, subscribed & fully paid-up shares				
Equity shares of Rs. 10 each	146,284,720	1,462,847	146,284,720	1,462,847
Total	146,284,720	1,462,847	146,284,720	1,462,847

a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year.

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number of shares	Rs.	Number of shares	Rs.
Outstanding at the beginning of the period/year	146,284,720	1,462,847	146,284,720	1,462,847
Shares issued during the period/year	-	-	-	-
Outstanding at the end of the period/year	146,284,720	1,462,847	146,284,720	1,462,847

b) Terms and rights attached to equity shares

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

c) Shares of the Company held by the holding company

Equity shareholders	As at March 31, 2020		As at March 31, 2019	
	Number of shares	% holding	Number of shares	% holding
HSBC InvestDirect (India) Limited, the holding company & its nominees	146,284,720	100	146,284,720	100

d) Details of shareholders holding more than 5% of the shares in the Company

Equity shareholders	As at March 31, 2020		As at March 31, 2019	
	Number of shares	% holding	Number of shares	% holding
HSBC InvestDirect (India) Limited, the holding company & its nominees	146,284,720	100	146,284,720	100

For the Company's capital management policy, refer Note 33



21 Other equity

(All amounts in INR thousands, unless otherwise stated)

A Reserves and surplus

Particulars	As at March 31, 2020	As at March 31, 2019
Securities premium		
Opening balance	1,934,680	1,934,680
Add : Changes during the year	-	-
Closing balance	1,934,680	1,934,680
Statutory reserve		
Opening balance	339,030	292,856
Add : Changes during the year	52,706	46,174
Closing balance	391,736	339,030
Impairment reserve		
Opening balance	-	-
Add : Changes during the year	23,479	-
Closing balance	23,479	-
General reserve		
Opening balance	17,000	17,000
Add : Changes during the year	-	-
Closing balance	17,000	17,000
Retained earnings		
Opening balance	514,883	304,120
Add : Changes during the year	263,528	230,301
(Less) : Appropriation in special reserve	(52,706)	(46,174)
(Less) : Appropriation in impairment reserve	(23,479)	-
<i>Items of other comprehensive income recognised directly in retained earnings</i>		
(Less) : Remeasurements of post-employment benefit obligation, net of tax	(585)	(131)
Add/(Less) : Transfer to retained earnings of FVOCI equity instruments	-	26,767
Closing balance	701,641	514,883
Total Reserves and surplus	3,068,536	2,805,593

B Other reserves

Particulars	As at March 31, 2020	As at March 31, 2019
Equity Instruments through Other Comprehensive Income		
Opening balance	-	28,104
Add/(Less) : Changes during the year	-	(1,337)
Transfer of gain to Retained Earnings	-	(26,767)
Total other reserves	-	-
Total other equity	3,068,536	2,805,593

Nature and purpose of other equity

a) Securities premium

Securities premium is used to record the premium on issue of shares. This is to be utilised in accordance with the provisions of the Companies Act, 2013.

b) Statutory reserve

Special reserve represents appropriation of retained earning as per Section 45 IC of the Reserve Bank of India Act, 1934. No appropriation of any sum from the statutory reserve fund shall be made by the NBFC except for the purpose as may be specified by the RBI from time to time.

c) General reserve

The general reserve is created by transfer from retained earnings as per the provision of the Companies Act. It can be used in accordance with the provisions of the Companies Act.

d) Retained earnings

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

e) Impairment reserve

As per circular number RBI/2019-20/170 dated March 13, 2020, an Impairment Reserve is created when impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), the company shall appropriate the difference from their net profit or loss after tax to a separate Impairment Reserve. As per the circular, the balance in the Impairment Reserve shall not be reckoned for regulatory capital.

f) FVOCI equity investments

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.



22(a) Interest income

Particulars	Mar 31, 2020	Mar 31, 2019
On financial assets measured at Amortised costs:		
Interest on loans	666,101	494,375
Interest on deposits with banks	22,574	18,415
Total	688,675	512,790

22(b) Net gain on fair value changes

Particulars	Mar 31, 2020	Mar 31, 2019
Others		
Net Gain/(loss) on financial instrument at fair value through profit or loss	6,836	23
Total (A)	6,836	23
Fair Value changes:		
Realised	2,293	23
Unrealised	4,543	-
Total (B)	6,836	23

23 Other income

Particulars	Mar 31, 2020	Mar 31, 2019
Interest on income tax refund	23,723	72,244
Sundry balance written back	-	1,427
Miscellaneous income	558	395
Total	24,281	74,066

24 Finance costs

Particulars	Mar 31, 2020	Mar 31, 2019
On financial liabilities measured at amortised cost:		
Bank overdraft	968	545
Inter corporate deposits	73,701	75,005
Commercial Papers	218,507	85,388
Other Borrowing Costs	2,543	-
Total	295,719	160,938

25 Employee benefits expenses

Particulars	Mar 31, 2020	Mar 31, 2019
Salaries and wages	35,591	34,712
Contribution to provident and other funds (Refer note 30)	1,654	1,604
Gratuity (Refer note 30)	1,129	1,119
Staff welfare expenses	2,180	1,420
Total	40,554	38,855

26 Impairment on financial instruments

Particulars	Mar 31, 2020	Mar 31, 2019
On financial instruments measured at Amortised cost:		
Loans	(28,384)	11,167
Total	(28,384)	11,167



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(All amounts in INR thousands, unless otherwise stated)

27 Other expenses

Particulars	Mar 31, 2020	Mar 31, 2019
Rent [Refer Note (c) below]	11,790	12,573
Rates and taxes	1,236	1,794
Repairs and maintenance		
- Others	8,743	7,943
Insurance charges	956	565
Travelling and conveyance	756	1,016
Printing and stationery	87	155
Communication costs	434	687
Advertisement and business promotion	-	16
Professional fees	10,151	6,760
Directors' sitting fees	825	675
Licence and fees	478	384
Stamping and Franking Charges	150	6,111
Membership and Subscription	736	702
Storage Charges	3,054	3,045
Contribution for corporate social responsibility (CSR) [Refer Note (b) below]	5,466	4,975
Auditors' remuneration [Refer Note (a) below]	6,014	3,032
Miscellaneous expenses	418	148
Total	51,294	50,581

a) Breakup of Auditors' remuneration

Particulars	Mar 31, 2020	Mar 31, 2019
Audit fees	3,029	2,889
Other services	2,800	-
Certification	65	65
Out-of-pocket expenses	120	78
Total	6,014	3,032

b) Contribution for corporate social responsibility (CSR)

Particulars	Mar 31, 2020	Mar 31, 2019
Amount required to be spent as per Section 135 of the Act	5,466	4,971
Amount spent during the year on:		
(i) Construction/acquisition of an asset		-
(ii) On purposes other than (i) above	5,466	4,975
Total	5,466	4,975

c) Short - term lease disclosures

The company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payment associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The company incurred INR 11,790 (in 000's) for the year ended March 31, 2020 towards expense relating to short-term lease.

Lease contracts entered by the company majorly pertains for office space taken on lease to conduct its business in the ordinary course by using the existing infrastructure and utilities provided in the building. The company does not have any lease restrictions and commitments towards variable rent as per the contract.



28 Income tax expenses

a) The components of income tax expense for the period ended March 31, 2020 and March 31, 2019 are

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Current tax	85,693	96,921
Deferred tax	9,624	(2,385)
Sub-total	95,317	94,536
Deferred tax - Other comprehensive income	(197)	(56)
Total	95,120	94,480

b) Reconciliation of the total tax charge

The tax charge shown in the Statement of Profit and Loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended March 31 2020 and March 31, 2019 is, as follows:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Accounting profit before tax	358,845	324,837
Tax at India's statutory income tax rate of 25.17% (previous year 29.12%)	90,321	94,592
Tax effect of the amount which are not taxable in calculating taxable income :		
- Expenses disallowed	1,443	1,598
- Income not subject to tax	(1,143)	(587)
- (Excess)/ Short provision for tax of earlier years	1,597	(1,135)
- Other	3,099	68
Income tax expense at effective tax rate	95,317	94,536
Effective tax rate	26.56%	29.10%

c) Deferred tax assets/liabilities

The balance comprises temporary differences attributable to the below items and corresponding movement in deferred tax liabilities / assets:

Particulars	As at March 31, 2019	(Charged)/ credited to profit and loss	(Charged)/ credited to OCI	As at March 31, 2020
Deferred tax liability :				
Property, plant and equipment	-	-	-	-
Deferred tax asset :				
Depreciation/amortization - property, plant and equipment/ Intangible asset	3,651	(1,171)	-	2,480
Employee's benefit obligations	350	(150)	-	200
Provision	162	(22)	-	140
Impairment allowance for financial assets	8,441	(8,281)	-	160
Net deferred tax asset/ (liability)	12,604	(9,624)	-	2,980

Particulars	As at March 31, 2018	(Charged)/ credited to profit and loss	(Charged)/ credited to OCI	As at March 31, 2019
Deferred tax asset :				
Depreciation/amortization - property, plant and equipment/ Intangible asset	4,583	(932)	-	3,651
Employee's benefit obligations	331	19	-	350
Provision	166	(4)	-	162
Impairment allowance for loans	5,139	3,302	-	8,441
Net deferred tax asset/ (liability)	10,219	2,385	-	12,604

d) Tax losses

Particulars	Assesment Year	Expiry Assessment Year	As at March 31, 2020	As at March 31, 2019
Unused Short term capital losses for which no deferred tax asset has been recognised	2014-15	2022-23	20,879	20,902
Potential tax benefit at March 31 2020: 25.17% , March 31, 2019: 29.12%			5,255	6,087

29 Contingent liabilities and commitments (to the extent not provided for)

Provident Fund

The Honourable Supreme Court has recently provided a judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-1/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the Management, the aforesaid matter is not likely to have a significant impact.



30 Employee benefit obligations

a) Defined contribution plans

The Company has recognised the following amounts in the statement of profit and loss towards contribution to defined contribution plans which are included under contribution to provident and other funds:

Particulars	Mar 31, 2020	Mar 31, 2019
Provident fund	1,575	1,508
Others	79	96

b) Defined benefit plans

The Company has a defined benefit plan for post-employment benefits in the form of Gratuity. The Company contributes to the "Gratuity Trust". Every employee is entitled to a benefit equivalent to thirty days salary last drawn for each completed year of service. The same is payable at the time of separation from the Company or retirement whichever is earlier. The benefits vest after four years and one hundred ninety days of continuous service.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

i) Balance Sheet

	Present value of obligation	Fair value of plan assets	Net amount
As at April 1, 2018	7,961	6,425	1,536
Current service cost	1,061	-	1,061
Interest expense/(income)	502	444	58
Total amount recognised in Profit and Loss	1,563	444	1,119
Return on plan assets excluding amounts included in interest expense/income	-	32	(32)
Actuarial loss / (gain) arising from change in financial assumptions	128	-	128
Actuarial loss / (gain) arising on account of experience changes	91	-	91
Total amount recognised in Other Comprehensive Income	219	32	187
Employer contributions	-	1,536	(1,536)
Benefit payments	(2,720)	(2,720)	-
As at March 31, 2019	7,023	5,717	1,306
Current service cost	1,081	-	1,081
Interest expense/(income)	513	465	48
Total amount recognised in Profit and Loss	1,594	465	1,129
Return on plan assets excluding amounts included in interest expense/income	-	13	(13)
Actuarial loss / (gain) arising from change in financial assumptions	486	-	486
Actuarial loss / (gain) arising on account of experience changes	309	-	309
Total amount recognised in Other Comprehensive Income	795	13	782
Employer contributions	-	1,306	(1,306)
Benefit payments	-	-	-
As at March 31, 2020	9,412	7,501	1,911

Particulars	As at March 31, 2020	As at March 31, 2019
Present value of plan liabilities	9,412	7,023
Fair value of plan assets	7,501	5,717
Plan liability net of plan assets	1,911	1,306

ii) Statement of Profit and Loss

Particulars	Mar 31, 2020	Mar 31, 2019
Employee Benefit Expenses:		
Current service cost	1,081	1,061
Total	1,081	1,061
Finance cost	48	58
Net impact on the profit before tax	1,129	1,119
Remeasurement of the net defined benefit liability:		
Return on plan assets excluding amounts included in interest expense/income	(13)	(32)
Actuarial loss / (gain) arising from change in financial assumptions	486	128
Actuarial loss / (gain) arising on account of experience changes	309	91
Net impact on the other comprehensive income before tax	782	187



iii) Defined benefit plans assets

Category of assets (% allocation)	As at March 31, 2020	As at March 31, 2019
- Insurer Managed Fund (HDFC Group Unit link plan - Option B)	100%	100%
Total	100%	100%



iv) Actuarial assumptions

With the objective of presenting the plan assets and plan liabilities of the defined benefits plans at their fair value on the balance sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date.

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate	6.4%	7.3%
Salary escalation rate*	7.0%	7.0%

* takes into account the inflation, seniority, promotions and other relevant factors

v) Demographic assumptions

Particulars	As at March 31, 2020	As at March 31, 2019
Mortality rate	Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Withdrawal rate	10%	10%

vi) Sensitivity

As at March 31, 2020	Change in assumption Increase or Decrease by	Impact on defined benefit obligation	
		Increase/ (Decrease)	
Discount rate	0.5%	(276)	291
Salary escalation rate	0.5%	289	(276)

As at March 31, 2019	Change in assumption Increase or Decrease by	Impact on defined benefit obligation	
		Increase/ (Decrease)	
Discount rate	0.5%	(212)	224
Salary escalation rate	0.5%	224	(213)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

vii) Maturity (undiscounted)

The defined benefit obligations shall mature after year end as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
1st Following Year	946	638
2nd Following Year	996	817
3rd Following Year	2,652	861
4th Following Year	1,030	2,201
5th Following Year	1,164	975
Sum of 6 to 10	6,892	6,453

The weighted average duration of the defined benefit obligation is 7 years (previous year - 7 years)

viii) Risk Exposure

Interest rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation.

Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.



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(All amounts in INR thousands, unless otherwise stated)

31 Segment information

The Company is domiciled in India. The Company is engaged in business of financing by way of loans (non banking financial services), which is considered to be only reportable segment (in accordance with Ind AS 108).

a) Segment revenue

The Company operates as a single segment. The segment revenue is measured in the same way as in the statement of profit and loss.

Particulars	As at March 31, 2020	As at March 31, 2019
Segment revenue		
- India	723,895	514,828
- Outside India	-	-
Total	723,895	514,828

There is no party which individually contributes more than 10% of total operating revenue of the Company.

b) Segment assets and segment liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Segment assets - India	8,413,816	7,733,707
Segment liabilities - India	3,882,433	3,465,267



HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2020 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

32 Earnings per share (EPS)

a) Computation of basic & diluted earnings per share is given below:

Particulars	Mar 31, 2020	Mar 31, 2019
Basic & Diluted earnings per share		
Net profit after tax available for equity shareholders (A) (Rs. In thousands)	263,528	230,301
Weighted average number of equity shares (B)	146,284,720	146,284,720
Basic & Diluted earnings per share (A/B) (Rs.)	1.80	1.57
Nominal value per share (Rs.)	10	10

33 Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting capital adequacy requirements of the local banking supervisor, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, amongst other measures, the regulations issued by RBI. Company has complied in full with all its externally imposed capital requirements over the reported period. The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

Regulatory Capital

Capital to risk assets ratio (CRAR):	As at March 31, 2020	As at March 31, 2019
Tier I capital	4,501,524	4,255,585
Tier II capital	602	28,986
Total capital	4,502,126	4,284,571
Risk weighted assets	7,654,679	8,636,617
CRAR (%)	58.82%	49.61%
CRAR - Tier I capital (%)	58.81%	49.27%
CRAR - Tier II capital (%)	0.01%	0.34%
Amount of subordinated debt considered as Tier II capital	-	-
Amount raised by issue of perpetual debt Instruments	-	-



34 Maturity analysis of assets and liabilities

(All amounts in INR thousands, unless otherwise stated)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Particulars	As at March 31, 2020			As at March 31, 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial assets						
Cash and cash equivalents	344,019	-	344,019	758	-	758
Bank balance other than cash and cash equivalents	263,108	-	263,108	262,992	-	262,992
Investments	-	1,478,479	1,478,479	-	-	-
Loans	3,829,077	2,190,616	6,019,694	5,204,739	2,061,934	7,266,673
Other financial assets	154,729	-	154,729	4,579	-	4,579
Total financial assets (A)	4,590,933	3,669,095	8,260,029	5,473,068	2,061,934	7,535,002
Non-financial assets						
Current tax assets (Net)	-	141,689	141,689	-	180,711	180,711
Deferred tax assets (Net)	-	2,980	2,980	-	12,604	12,604
Property, plant and equipment	-	1,889	1,889	-	2,835	2,835
Intangible assets	-	-	-	-	251	251
Intangible assets under development	-	3,400	3,400	-	-	-
Other non-financial assets	3,829	-	3,829	2,304	-	2,304
Total Non-financial assets (B)	3,829	149,958	153,787	2,304	196,401	198,705
Total assets (C = A+B)	4,594,762	3,819,053	8,413,816	5,475,372	2,258,335	7,733,707
Financial liabilities						
Payables						
(i) Trade payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	9,367	-	9,367	6,703	-	6,703
Debt securities	2,220,322	-	2,220,322	1,730,517	-	1,730,517
Borrowings (other than debt securities)	-	1,620,000	1,620,000	1,699,942	-	1,699,942
Other financial liabilities	794	-	794	1,200	-	1,200
Total financial liabilities (D)	2,230,483	1,620,000	3,850,483	3,438,362	-	3,438,362
Non-financial Liabilities						
Current tax liabilities (Net)	10,686	-	10,686	6,296	-	6,296
Provisions	2,464	16,173	18,637	1,860	16,173	18,033
Other non-financial liabilities	2,627	-	2,627	2,576	-	2,576
Total Non-financial liabilities (E)	15,777	16,173	31,950	10,732	16,173	26,905
Total liabilities (F = D+E)	2,246,260	1,636,173	3,882,433	3,449,094	16,173	3,465,267
Net (C-F)	2,348,502	2,182,880	4,531,383	2,026,278	2,242,162	4,268,440



35 Fair value measurement

a) Financial Instruments by Category

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2A (v) to the financial statements.

Particulars	As at March 31, 2020			As at March 31, 2019		
	Fair value through Profit or Loss	Fair value through OCI	Amortised cost	Fair value through Profit or Loss	Fair value through OCI	Amortised cost
Financial Assets:						
Cash and cash equivalents	-	-	344,019	-	-	758
Bank balance other than cash and cash equivalents	-	-	263,108	-	-	262,992
Loans	-	-	6,019,694	-	-	7,266,673
Investments	1,478,479	-	-	-	-	-
Other financial assets	-	-	154,729	-	-	4,579
Total Financial Assets	1,478,479	-	6,781,550	-	-	7,535,002
Financial Liabilities:						
Trade payables	-	-	9,367	-	-	6,703
Debt securities	-	-	2,220,322	-	-	1,730,517
Borrowings (other than debt securities)	-	-	1,620,000	-	-	1,699,942
Other financial liabilities	-	-	794	-	-	1,200
Total Financial Liabilities	-	-	3,850,483	-	-	3,438,362



(All amounts in INR thousands, unless otherwise stated)

b) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard.

The hierarchies used are as follows:

Level 1: Hierarchy includes financial instruments measured using quoted prices. The quoted equity securities are valued at quoted prices as per the stock exchange.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3

As at March 31, 2020

Assets and liabilities measured at amortised cost for which fair values are disclosed	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Loan against financial securities (LAS)	5	-	-	6,007,451	6,007,451
Total financial assets		-	-	6,007,451	6,007,451

As at March 31, 2019

Assets and liabilities measured at amortised cost for which fair values are disclosed	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Loan against financial securities (LAS)	5	-	-	7,259,186	7,259,186
Total financial assets		-	-	7,259,186	7,259,186

- i) There are no transfers between levels 1, 2 and 3 during the year
- ii) The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

The fair value of financial instruments are classified into three categories i.e. Level 1, 2 or 3 depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

c) Valuation technique used to determine fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

Specific valuation techniques used to value financial instruments include:

- The fair value of the remaining financial instruments is determined using discounted cash flow analysis and the discount rates used were adjusted for counterparty or own credit risk.

Valuation process

The credit risk management team performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the CRO and these valuations are reviewed by CFO.

The main level 3 inputs for loans against financial securities are discount rates, which are determined using weighted-average interest rates of loans sanctioned in March 2020 and March 2019.

d) Fair value of financial assets and liabilities measured at amortised cost

Particulars	As at March 31, 2020		As at March 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Loan against financial securities (LAS)	6,019,694	6,007,451	7,266,673	7,259,186
Total financial assets	6,019,694	6,007,451	7,266,673	7,259,186

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include, cash and bank balances, security deposits, other financial assets, trade and other payables, other financial liabilities, debt securities and borrowings. Such amounts have been classified as Level 3.



36 Financial risk management

The company's activities expose it to market risk, liquidity risk and credit risk.

The company's risk management is carried out by the Company's Risk Management team (led by a CRO) under policies approved by the board of directors.

The Company has a loan policy, which provides guidances for overall risk management, specifically credit risk and market risk. There is also an interest rate policy to manage interest rate risk and liquidity risk.

36.1 Credit risk management

Credit risk is the risk of suffering financial loss, should any of the company's customers, clients or market counterparties fail to fulfil their contractual obligations to the company. Credit risk arises mainly from loans and advances, and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports in to the CRO. Assessment of lending proposals includes assessment of borrower's background; financial strength and leverage; operational & financial performance track record; cash flows; valuation of collateral and similar parameters.

The Company offers a single product which is lending against financial securities (LAS). It is more than 100% secured product with regulatory risk weight assigned of 100%. A real-time risk monitoring system is put in place to assist the risk team to initiate the necessary margin call triggers and take necessary action including liquidation of collaterals to protect against the probable bad debts.

(a) Loans and advances (incl. loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under Ind AS 109. Refer to note 36.1(b) for more details.

Other financial assets

The Company has credit risk exposure in cash and cash equivalents, deposits with banks, and other financial assets. Cash and cash equivalents and bank deposits are held with only high rated banks/financial institutions only, therefore credit risk is perceived to be low.

Other financial assets pertain to security deposits for rented premises, margin deposit. The Company does not perceive any significant decline in credit risk of the lessors and hence expected probability of default is considered as low.

Customer Risk Rating (CRR)

The Company uses internal CRR rating model that enables its assessment of the probability of default of individual counterparties. The internal CRR is tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

The internal CRR is calibrated such that the risk of default increases exponentially at each higher CRR.

The Company has its own internal credit rating framework that is used for rating of the borrowers at the time of sanction and during the annual re-rating exercise. Any other known information about the borrower which impacts their creditworthiness – such as unemployment and previous delinquency history – is also incorporated into the annual re-rating exercise. Based on the analysis done by the Company, the parameters in the rating model (borrower strength, operating risk, market risk, financials, etc.) are given a score between 1 (highest) to 10 (lowest). The internal rating is based on the final score derived from the credit rating model.

Refer to table below for details:

Internal score	Description of the grade
0.1, 1.1, 1.2	Minimum Default Risk
2.1, 2.2	Low Default Risk
3.1, 3.2, 3.3	Satisfactory Default Risk
4.1, 4.2, 4.3	Fair Default Risk
5.1, 5.2, 5.3	Moderate Default Risk
6.1, 6.2	Significant Default Risk
7.1, 7.2	High Default Risk
8.1, 8.2, 8.3	Special Management
9, 10	Default



(ii) Definition of default and credit-impaired assets

Borrowers for whom the CRR has deteriorated to Special Management (Internal score: 8.1, 8.2, 8.3) / Default (Internal score: 9, 10), are considered to be credit-impaired.

In the SICR section above, the potential impact of factors beyond the control of the Risk Management team has been enumerated. Apart from the uncontrollable factors, the Company does not foresee a scenario where the financial instruments would be credit-impaired, by virtue of one or more of the following criteria:

- The Company is conservative in its' customer selection criteria
- The Company observes an internal rating criteria before onboarding new customers and before renewing limits for existing customers
- The Company accepts collateral cover only for eligible securities. The criteria for determining eligible securities is described in the loan policy for each category of collateral (equity shares, mutual funds, bonds etc.)
- In the past 3 years, HIFSL has not witnessed any Credit defaults or Credit losses on the LAS as a product. All loans are Stage 1 assets with a satisfactory historical repayment behavior.
- The loans offered have a contractual tenor of 12-36 months. Loans with a contractual tenor of more than 12 months are subject to annual review and approval. All the loans have a put/call option for the borrower/lender respectively.
- All financial collateral are valued on a continuing basis vis-a-vis the loan exposure for any shortfall which are required to be regularised in a maximum of 7 working day's time. Else, the financial collateral are subject to sell off.
- Any financial collateral showing quality deterioration is required to be swapped with better quality security as advised by Risk Management team.
- All loans are demand loans recallable with a short notice.

(iii) Upgradation from higher stage to lower stage

For upgradation from higher stage to lower stage (i.e. to have cured):

Loan and advances is not moved from higher stage to lower stage immediately after payment of overdue amount, following cooling off period is applied:

From Stage 2 to Stage 1

- Contractual payments are in lower than 30 days past due for at least six months

This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(iv) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking economic information is also included in determining the PD, EAD and LGD. Refer to note 36.1(b)(v) for an explanation of forward-looking information and its inclusion in ECL calculations.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period

(v) Forward-looking information incorporated in the ECL model

The assessment of SICR incorporates forward-looking information. All loans are Stage 1 assets with a satisfactory historical repayment behaviour. The Company's LAS portfolio comprises highly liquid financial collateral which are valued on a continuing basis vis-a-vis the loan exposure for any shortfall which are required to be regularised in a maximum of 7 working day's time. Else, the financial collateral are subject to sell off.

In the SICR section above, the potential impact of factors beyond the control of the Risk Management team has been enumerated. Apart from the uncontrollable factors, it is unlikely that any of the Stage 1 assets would move to Stage 2.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, which are likely to culminate into reduction in realisable value of collateral securities are built in through the annual stress-testing exercise (which is a regulatory requirement). The portfolio is stress-tested under various scenarios to arrive at the impact analysis on the loan portfolio, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.



(vi) Financial assets measured on a collective basis

ECL is calculated on a collective basis for the entire LAS portfolio.

(vii) Account review method

Drawing power ratio is the percentage of loan over the net value of securities.

Drawing Power Ratio: $(\text{Value of Security after haircut}) * 100$

Loan Outstanding

On a daily basis, the risk report will be generated taking the latest end of day price and DP ratio is ascertained. Where the DP ratio is less than 95%, the margin call will be raised to customer. In case of extreme fall in the market, an intraday risk report is prepared and necessary actions are taken for margin shortfall by credit risk team.

Based on Drawing Power Ratio, the loans would be categorized as follows:

Margin Call	Drawing Power (ratio)	Category	Course of Action	Time Lines for action – Equity shares *	Time Lines for action – Other Securities **
Not applicable	95% - 100% (>97% for Securities with security portfolio LTV of greater than equal to 80%)	Normal Loans	Shortfall notice	Within 7 (Seven) working Days failing which positions will be squared off	No action required.
Margin Call	85 - 95 % (97% for Securities with security portfolio LTV of greater than equal to 80%)	Y Category Loans	Shortfall notice	7 (Seven) Working Days to top the margins failing which positions will be squared off.	7 (Seven) Working Days to top the Margins failing which positions will be squared off.
Square off	< 85 % (94% for securities with security portfolio LTV of greater than equal to 80%)	YY Category Loans	Square off after appropriate intimation to customer.	Immediate Square off after giving appropriate intimation to the borrower.	Immediate Square off after giving appropriate intimation to the borrower.

* For any high risk lending against equity shares or mutual funds (for e.g. single stock lending, promoter lending, etc.) case, the stringent timeline of five working days for the Category "Y" shortfall shall apply.

** Any mixed collateral securities portfolio with more than 65% equity shares composition will be considered as a 100% equity portfolio for Margin Call management and process. All regularization timelines as applicable for a 100% Equity Shares portfolio shall apply to such a portfolio.

(c) Credit risk exposure

(i) Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

Asset group	Internal rating grade	As at March 31, 2020			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Performing				
	Minimum Default Risk	-	-	-	-
	Low Default Risk	-	-	-	-
	Satisfactory Default Risk	5,949,803	-	-	5,949,803
	Fair Default Risk	70,493	-	-	70,493
	Moderate Default Risk	-	-	-	-
	Significant Default Risk	-	-	-	-
	High Default Risk	-	-	-	-
	Special Management	-	-	-	-
	Default	-	-	-	-
Non- performing					
Individually impaired	-	-	-	-	
Total	Total	6,020,296	-	-	6,020,296



Asset group	Internal rating grade	As at March 31, 2019			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Performing				
	Minimum Default Risk	-	-	-	-
	Low Default Risk	-	-	-	-
	Satisfactory Default Risk	7,235,413	-	-	7,235,413
	Fair Default Risk	60,246	-	-	60,246
	Moderate Default Risk	-	-	-	-
	Significant Default Risk	-	-	-	-
	High Default Risk	-	-	-	-
	Special Management	-	-	-	-
	Default	-	-	-	-
	Non-performing				
Individually impaired	-	-	-	-	
Total	Total	7,295,659	-	-	7,295,659

(ii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Company prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types are:

- Listed stocks
- Units of mutual funds (both equity & debt schemes including Fixed Maturity Plans)
- Bonds (sovereign and corporate)

The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

As per the contractual terms, collateral is permitted to be sold on event of default (Refer Note 36.1(b)(vii))

Particulars	Gross exposure to credit risk	Impairment allowance*	Carrying amount	Fair value of collateral held
As at March 31, 2020				
- Loan against financial securities (LAS)	6,020,296	(602)	6,019,694	13,276,371
Total	6,020,296	(602)	6,019,694	13,276,371
As at March 31, 2019				
- Loan against financial securities (LAS)	7,295,659	(28,986)	7,266,673	18,902,838
Total	7,295,659	(28,986)	7,266,673	18,902,838

* Impairment allowance: 0.01% for March 31, 2020; 0.40% for March 31, 2019

(iii) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk in the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 36.1(c)).



(All amounts in INR thousands, unless otherwise stated)

An analysis of change in the gross carrying amount of the loan portfolio and corresponding loss allowance:

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed below:

Asset group	Particulars	Year ended March 31, 2020			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	7,295,659	-	-	7,295,659
	Loans given	5,598,026	-	-	5,598,026
	Loans repaid (including partial repayments)	(6,873,389)	-	-	(6,873,389)
	Closing balance	6,020,296	-	-	6,020,296

Asset group	Particulars	Year ended March 31, 2019			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	4,481,300	-	-	4,481,300
	Loans given	7,819,657	-	-	7,819,657
	Loans repaid (including partial repayments)	(5,005,298)	-	-	(5,005,298)
	Closing balance	7,295,659	-	-	7,295,659

The following table explains the changes in the loss allowance between the beginning and at the end of the annual period due to various factors:

Asset group	Particulars	Year ended March 31, 2020			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	28,986	-	-	28,986
	Loans given	560	-	-	560
	Loans repaid (including partial repayments)	(756)	-	-	(756)
	Net remeasurement of loss allowance	(28,188)	-	-	(28,188)
	Closing balance	602	-	-	602

Asset group	Particulars	Year ended March 31, 2019			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	17,819	-	-	17,819
	Loans given	31,278	-	-	31,278
	Loans repaid (including partial repayments)	(20,111)	-	-	(20,111)
	Closing balance	28,986	-	-	28,986

(d) Write-off policy

Margin calls letters are sent to customers whenever there is margin shortfall. In case customer fails to timely top-up the margins and brings it to approved levels, sale of the securities will be initiated by Relationship Managers. Pledge / Lien on Stocks / Other Security will be invoked fully or partially and same will be liquidated to clear the margin shortfall and other dues, if any. In the event of shortfall of securities to cover the outstanding dues, the Company shall initiate appropriate legal action against the customer based on the documentation executed with the customer. Excess fund balance, if any, will be transferred to customer's registered bank account with HIFSL and excess securities will be freed from pledge/lien, post clearing of dues on the account.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended March 31, 2020 was NIL (March 31, 2019 -NIL).

(e) Concentration of credit risk

There are no significant concentrations of credit risk to specific industry sectors and/or regions. For concentrations of credit risk to customers. For concentration of credit risk to customers, refer note 40.

(f) Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 36.1.



36.2 Liquidity risk and funding management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

a) Financing arrangements

The company had access to the following undrawn borrowing facilities at the end of the reporting period:

	As at March 31, 2020	As at March 31, 2019
Floating rate		
-Expiring within one year (bank overdraft and other facilities, with renewal option)	1,376,980	1,297,038
-Expiring beyond one year (bank loans)	-	-

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

b) Maturity of financial assets and financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities as at the year end. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The Company does not have any derivative financial liabilities.

As at March 31, 2020

Contractual maturities of financial assets and financial liabilities	Carrying Amount	Within 12 months			After 12 months		Total
		Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	
Financial assets							
Cash and cash equivalents	344,019	344,023	-	-	-	-	344,023
Bank balance other than cash and cash equivalents above	263,108	233,121	4	30,008	-	-	263,133
Loans	6,019,694	1,117,079	784,748	2,289,470	1,356,029	1,151,737	6,699,063
Investments	1,478,479	-	-	-	-	1,478,479	1,478,479
Other financial assets	154,729	150,150	-	4,579	-	-	154,729
Total assets	8,260,029	1,844,373	784,752	2,324,057	1,356,029	2,630,216	8,939,427
Financial liabilities							
Trade payables	9,367	5,203	3,784	380	-	-	9,367
Debt securities	2,220,322	1,500,000	750,000	-	-	-	2,250,000
Borrowings (other than debt securities)	1,620,000	30,413	30,747	60,826	1,864,306	-	1,986,292
Other financial liabilities	794	-	-	794	-	-	794
Total liabilities	3,850,483	1,535,616	784,531	62,000	1,864,306	-	4,246,453

As at March 31, 2019

Contractual maturities of financial assets and financial liabilities	Carrying Amount	Within 12 months			After 12 months		Total
		Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	
Financial assets							
Cash and cash equivalents	758	758	-	-	-	-	758
Bank balance other than cash and cash equivalents above	262,992	234,369	567	31,116	-	-	266,052
Loans	7,266,673	557,211	1,427,789	3,716,358	1,959,161	403,875	8,064,394
Investments	-	-	-	-	-	-	-
Other financial assets	4,579	4,579	-	-	-	-	4,579
Total assets	7,535,002	796,917	1,428,356	3,747,474	1,959,161	403,875	8,335,783
Financial liabilities							
Trade payables	6,703	1,620	3,953	1,130	-	-	6,703
Debt securities	1,730,517	1,750,000	-	-	-	-	1,750,000
Borrowings (other than debt securities)	1,699,942	140,437	27,190	1,640,190	-	-	1,807,817
Other financial liabilities	1,200	-	-	1,200	-	-	1,200
Total liabilities	3,438,362	1,892,057	31,143	1,642,520	-	-	3,565,720



(All amounts in INR thousands, unless otherwise stated)

36.3 Market Risk

Market risk is that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and price movements.

a) Interest rate risk - lending

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company's main interest rate risk arises from lending with variable rates, which expose the Company to cash flow interest rate risk. As at March 31, 2020 and March 31, 2019, the Company's lending portfolio at variable rate are denominated in Indian Rupees.

i) Interest rate risk exposure

The exposure of the Company's lending portfolio to interest rate changes at the end of the reporting periods/years are as follows:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Variable rate loans*	6,020,296	7,295,659
Fixed rate loans	-	-
Total	6,020,296	7,295,659

* The loan amounts are the gross carrying value

As at the end of the reporting period, the Company had the following variable rate loan (asset) outstanding:

As at March 31, 2020	Weighted average interest rate	Balance	% of total loans
Loans	8.53%	6,020,296	100%

As at March 31, 2019	Weighted average interest rate	Balance	% of total loans
Loans	8.85%	7,295,659	100%

ii) Sensitivity

Profit and loss is sensitive to higher/lower interest income from variable rate loans as a result of changes in interest rates.

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2020	Year ended March 31, 2019
Interest rates – increase by 18 (March 31, 2019: 25) basis points	8,016	12,801
Interest rates – decrease by 18 (March 31, 2019: 25) basis points	(8,016)	(12,801)

The sensitivity is derived holding all other variables constant

b) Interest rate risk exposure - borrowings

i) Interest rate risk exposure - borrowings

The exposure of the Company's borrowing portfolio to interest rate changes at the end of the reporting periods/years are as follows:

Particulars	Year ended	As at
	March 31, 2020	March 31, 2019
Overdraft from Bank	-	113,542
Loan from the holding company	1,620,000	1,586,400
Variable rate loans	1,620,000	1,699,942
Commercial papers	2,220,322	1,730,517
Fixed rate loans	2,220,322	1,730,517
Total	3,840,322	3,430,459

As at the end of the reporting period, the Company had the following variable rate borrowings outstanding:

As at March 31, 2020	Weighted average interest rate	Balance	% of total loans
Borrowings (other than debt securities)	7.53%	1,620,000	42%

As at March 31, 2019	Weighted average interest rate	Balance	% of total loans
Borrowings (other than debt securities)	6.87%	1,699,942	50%



(All amounts in INR thousands, unless otherwise stated)

ii) Sensitivity

Profit and loss is sensitive to higher/lower interest income from variable rate loans as a result of changes in interest rates.

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2020	Year ended March 31, 2019
Interest rates – increase by 18 (March 31, 2019: 25) basis points	(2,182)	(3,012)
Interest rates – decrease by 18 (March 31, 2019: 25) basis points	2,182	3,012

The sensitivity is derived holding all other variables constant.

c) Foreign currency risk

The Company does not have any foreign currency denominated exposures in respect of financial assets and financial liabilities as at the balance sheet date that will result in net currency gains or losses in the statement of profit and loss due to change foreign currency exchange rates.

d) Price risk

The Company does not have exposures in respect of financial assets and financial liabilities as at balance sheet date that will result in changes in statement of profit or loss or equity due to change in prices.



37. Related party transactions (As per Ind AS 24)

(a) Parent entities

The company is controlled by the following entity:

Name of the entity	Type	Place of Incorporation
HSBC InvestDirect (India) Limited	Holding Company	India
HSBC Holdings Plc	Ultimate holding company	United Kingdom
HSBC Securities and Capital Markets (India) Private Limited	Intermediate holding company	India
The Hongkong and Shanghai Banking Corporation Limited	Intermediate holding company	Hong Kong

(b) Transactions have taken place in the ordinary course of the business for the year:

Name of the entity	Relationship
The Hongkong and Shanghai Banking Corporation Limited - India Branches	Fellow Subsidiary
HSBC Electronic Data Processing India Private Limited.	Fellow Subsidiary
HSBC Investdirect Financial Services (India) Limited. Employee Gratuity Trust	Post Employment Benefit Plan (PEBP)
HSBC Securities and Capital Markets (India) Private Limited	Intermediate holding company

(c) Key Managerial Personnel (KMP):

Mr. Shantanu Shankar, Managing Director
Mr. Arvind Sethi - Director
Ms. Leena Gidwani - Director
Ms. Sharada Sangekar - Director
Mr. Butun Mohapatra - Director
Mr. Madhur Malviya - Director
Mr. Vipul Malkan - Director

(d) Transactions during the year with related parties:

Particulars	Parent entities	Fellow Subsidiaries	KMP	PEBP	Intermediate holding company
Interest on Line of Credit	73,701 (75,005)	- (-)	- (-)	- (-)	- (-)
Professional fees	- (-)	2,085 (1,350)	- (-)	- (-)	- (-)
Rent	- (-)	11,789 (12,573)	- (-)	- (-)	- (-)
Repair and Maintenance	54 (76)	- (-)	- (-)	- (-)	- (-)
Proceeds from borrowings	10,203,450 (8,771,600)	- (-)	- (-)	- (-)	- (-)
Repayment of borrowings	10,169,850 (8,219,400)	- (-)	- (-)	- (-)	- (-)
Miscellaneous expenses	- (167)	859 (257)	- (-)	- (-)	- (-)
Fixed deposits placement	- (-)	2,242,000 (-)	- (-)	- (-)	- (-)
Fixed deposits redemption	- (-)	1,915,000 (-)	- (-)	- (-)	- (-)
Director sitting fees	- (-)	- (-)	825 (675)	- (-)	- (-)
Contribution to gratuity trust	- (-)	- (-)	- (-)	1,306 (1,536)	- (-)
Margin deposit	- (-)	- (-)	- (-)	- (-)	150,000 (-)

Amounts in brackets represents amount relating to previous year

(e) Outstanding balances at the year end with related parties:

Particulars	Parent entities	Fellow Subsidiaries	KMP	PEBP	Intermediate holding company
Bank balance (in current account)					
31-Mar-20	-	10,593	-	-	-
31-Mar-19	-	313	-	-	-
Fixed deposits					
31-Mar-20	-	327,050	-	-	-
31-Mar-19	-	-	-	-	-
Director sitting fees					
31-Mar-20	-	-	45	-	-
31-Mar-19	-	-	-	-	-
Security deposits					
31-Mar-20	-	4,579	-	-	-
31-Mar-19	-	4,579	-	-	-
Margin deposits					
31-Mar-20	-	-	-	-	150,000
31-Mar-19	-	-	-	-	-
Borrowings					
31-Mar-20	1,620,000	-	-	-	-
31-Mar-19	1,586,400	-	-	-	-
Trade payables					
31-Mar-20	-	758	-	-	-
31-Mar-19	-	63	-	-	-
Gratuity Payable to the Trust					
31-Mar-20	-	-	-	1,911	-
31-Mar-19	-	-	-	1,306	-



(All amounts in INR thousands, unless otherwise stated)

38 COVID-19

The spread of COVID-19 has severely impacted businesses around the globe. In many countries, including India, there has been severe disruption to regular business operations due to lock-downs, disruptions in transportation, supply chain, travel bans, quarantines, social distancing and other emergency measures.

The Indian Government, the Reserve Bank of India and other regulators have announced various measures and relaxations acknowledging the current situation to ensure that there is enough liquidity in the hands of market participants and provided moratoriums to the borrowers in terms of their repayments to the financial institutions.

The Company is in the business of providing loans against securities and raising monies through borrowings. The Company has made an assessment of its liquidity position applying stress scenarios. The Company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements. The Company has further assessed the recoverability and carrying value of its assets comprising Loans and advances, Investments, fixed assets, other receivables as at balance sheet date, and has concluded that there are no material adjustments required in the financial Statements. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Company will continue to monitor any material changes to future economic conditions.

39 Commercial Paper Listing

The Company was required to list its Commercial Papers (CP) on stock exchanges as a result of the SEBI circular SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 1, 2019 which mandated mutual funds to invest in only listed debt instruments including CPs. The Company, thereafter, has also complied with the requirements issued by SEBI under the framework for listing of CPs vide circular SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 and as implemented by stock exchanges.

The listing of CPs by the Company to comply with the SEBI requirements does not qualify the Company as a "Listed Company" (as defined under the Companies Act, 2013) and to substantiate the same, the Company has obtained legal opinion which confirms this position.



40 Comparison between provisions required under IRACP and impairment allowances made under Ind AS 109

(All amounts in INR thousands, unless otherwise stated)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	5 = 3-4	6	7 = 4-6
Performing Assets						
Standard	Stage 1	6,020,296	602	6,019,694	24,081	(23,479)
	Stage 2	-	-	-	-	-
Subtotal		6,020,296	602	6,019,694	24,081	(23,479)
Non-Performing Assets						
Substandard	Stage 3	-	-	-	-	-
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms						
	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	Stage 1	6,020,296	602	6,019,694	24,081	(23,479)
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	Total	6,020,296	602	6,019,694	24,081	(23,479)



1 Capital to Risk Assets Ratio (CRAR)

Particulars	March 31, 2020	March 31, 2019
(i) CRAR (%)	58.82%	49.61%
(ii) CRAR -Tier I Capital (%)	58.81%	49.27%
(iii) CRAR -Tier II Capital (%)	0.01%	0.34%
(iv) Amount of subordinated debt raised as Tier II capital	-	-
(v) Amount raised by issue of Perpetual Debt Instruments	-	-

2 Investments:

Particulars	March 31, 2020	March 31, 2019
(1)		
(i) Gross Value of Investments		
(a) In India	147.85	30.00
(b) Outside India	-	-
(ii) Provisions for Depreciation *		
(a) In India	-	30.00
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	147.85	0.00
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments. *		
(i) Opening balance	-	30.00
(ii) Add: Provisions made during the year	-	-
(iii) Less: Write-Off / write-back of excess provisions during the year	-	-
(iv) Closing balance	-	30.00

* Refer note 6

3 Derivatives:

The Company has no transactions / exposures in derivatives in the current and previous year.

4 Disclosures relating to Securitisation:

The Company has not sold loans through Securitisation in the current and previous year.

5 Details of financial assets sold to securitisation / reconstruction company for asset reconstruction:

The Company has not sold financial assets to Securitisation / Reconstruction Companies for asset reconstruction in the current and previous year.

6 Details of assignment transactions undertaken:

The Company has not undertaken assignment transactions in the current and previous year.

7 Details of non-performing financial assets purchased / sold:

The Company has not purchased / sold non-performing financial assets in the current and previous year.

8 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

Particulars	0 day to 7 days	8 days to 14 days	15 days to 30/31 days (One month)	Over 1 Months upto 2 Months	Over 2 Months upto 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
Deposits											
March 31, 2020	-	-	-	-	-	-	-	-	-	-	-
March 31, 2019	-	-	-	-	-	-	-	-	-	-	-
Loans and advances											
March 31, 2020	8.07	-	21.67	52.65	17.63	68.47	214.41	115.07	104.00	-	601.97
March 31, 2019	-	-	9.17	17.87	12.94	128.52	351.98	169.69	36.50	-	726.67
Investments											
March 31, 2020	-	-	-	-	-	-	-	-	-	147.85	147.85
March 31, 2019	-	-	-	-	-	-	-	-	-	-	-
Fixed deposits with banks											
March 31, 2020	9.00	32.70	14.32	-	-	-	3.00	-	-	-	59.02
March 31, 2019	9.00	-	14.30	-	-	-	3.00	-	-	-	26.30
Borrowings											
March 31, 2019	-	-	99.59	-	49.37	73.07	-	162.00	-	-	384.03
March 31, 2019	11.35	-	-	123.97	49.08	-	158.64	-	-	-	343.04
Foreign currency assets											
March 31, 2019	-	-	-	-	-	-	-	-	-	-	-
March 31, 2019	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities											
March 31, 2019	-	-	-	-	-	-	-	-	-	-	-
March 31, 2019	-	-	-	-	-	-	-	-	-	-	-



9 Exposures:

Exposure to Capital Market

Particulars	March 31, 2020	March 31, 2019
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	0.00	0.00
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	35.50	43.05
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security * ;	860.76	999.58
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows / issues;	-	-
(viii) all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	896.26	1,042.64

* This exposure includes advances for any purposes secured by debt-oriented mutual funds and bonds.

The Company has no exposure to real estate sector in the current and previous year.

10 Details of financing of parent company products:

This disclosure is not applicable as the Company does not finance parent company products.

11. Single Borrower Limit (SGL) / Group Borrower Limit (GBL) are not exceeded by the Company.

12. Unsecured Advances – The Company has no Unsecured Advances in the current and previous year.

13. Registration obtained from other financial sector regulators:

The Company is registered with Ministry of Corporate Affairs.

14. Disclosure of Penalties imposed by RBI and other regulators:

No penalties were imposed by RBI and other regulators during current and previous year.

15. Ratings assigned by credit rating agencies and migration of ratings during the year:

Instrument category	March 31, 2020		March 31, 2019	
	Fitch Rating	Valid upto	Fitch Rating	Valid upto
Short term debt	IND A1+		IND A1+	
Long term debt	IND AAA/ Stable	April 4, 2020	IND AAA/ Stable	April 4, 2019

16. Provisions and Contingencies

Particulars	March 31, 2020	March 31, 2019
Break up of 'Provisions and Contingencies' shown under the head Statement of Profit and Loss		
Provisions for depreciation on Investment	-	-
Provision towards NPA	-	-
Provision made towards Income tax	9.53	9.45
Other Provision and Contingencies (with details)		
Provision made for impairment of trademark arrangements	-	-
Provision for Standard Assets	(2.84)	1.12

17. Draw Down from Reserves:

There has been no draw down from reserves during the current and previous year.

18. Concentration of Advances and Exposures:

Particulars	March 31, 2020	March 31, 2019
Concentration of Advances		
Total Advances to twenty largest borrowers	497.20	599.97
% of Advances to twenty largest borrowers to Total Advances	83%	82%
Concentration of Exposures		
Total Exposure to twenty largest borrowers / customers	836.00	826.00
% of Exposures to twenty largest borrowers / customers to Total Exposure	64%	66%
Concentration of NPAs		
Total Exposure to top four NPA accounts	-	-

Particulars	March 31, 2020	March 31, 2019
Sector-wise NPAs (% of NPAs / Total Advances in that sector)		
Agriculture & allied activities	-	-
Micro, small and medium enterprises	-	-
Corporate borrowers	-	-
Services	-	-
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	-	-
Others	-	-



Category		March 31, 2020			March 31, 2019		
		Secured	Unsecured	Total	Secured	Unsecured	Total
1	Related Parties**						
	(a) Subsidiaries	-	-	-	-	-	-
	(b) Companies in the same group	-	-	-	-	-	-
	(c) Other related parties	-	-	-	-	-	-
2	Other than related parties	601.97	-	601.97	726.67	-	726.67
	Total	601.97	-	601.97	726.67	-	726.67

** As per Accounting Standard issued by Institute of Chartered Accountants of India (ICAI)

Category	March 31, 2020		March 31, 2019	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1	Related Parties**			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	-	-	-
	(c) Other related parties	-	-	-
2	Other than related parties	147.85	147.39	-
	Total	147.85	147.39	0.00

Particulars	March 31, 2020	March 31, 2019
	Amount	Amount
(i) Gross Non-Performing Assets		
(a) Related Parties	-	-
(b) Other than Related Parties	-	-
(ii) Net Non-Performing Assets		
(a) Related Parties	-	-
(b) Other than Related Parties	-	-
(iii) Assets acquired in satisfaction of debts	-	-

Notes

- As defined in point six of paragraph 3 of Chapter -2 of these Directions.
- Provisioning norms shall be applicable as prescribed in these Directions
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up / fair value / NAV in respect of unquoted investments shall be disclosed irrespective of whether they are classified as long term or current in (5) above.

21 Movement of Non Performing Assets (NPAs):

Particulars	March 31, 2020	March 31, 2019
(a) Net NPAs to Net Advances (%)		
(b) Movement of NPAs (Gross)		
(i) Opening balance	-	-
(ii) Additions during the year	-	-
(iii) Reductions during the year	-	-
(iv) Closing balance	-	-
(c) Movement of Net NPAs		
(i) Opening balance	-	-
(ii) Additions during the year	-	-
(iii) Reductions during the year	-	-
(iv) Closing balance	-	-
(d) Movement of provisions for NPAs (excluding provisions on standard assets)		
(i) Opening balance	-	-
(ii) Provisions made during the year	-	-
(iii) Write-off / write-back	-	-
(iv) Closing balance	-	-

22 In accordance with RBI Notification No. DNBS.CC.PD.No. 365/03.10.01/2013-14 dated January 8, 2014, the Company has not lent against gold jewellery during the year ended 31 March 2020 (Previous year: Nil)

23 Information on instances of fraud:

No instances of fraud observed in current and previous year.

24 The Company does not have any restructured accounts.

25. The Company does not have any Off-balance sheet SPVs sponsored.

26 During the current as well as previous year, the Company has not postponed revenue recognition on account of pending uncertainties.

27. The Company does not have any overseas joint venture / subsidiary.

28 Remuneration of Directors

There is no pecuniary relationship or transactions of the non-executive directors vis-à-vis the company, other than director sitting fees as disclosed in note 27.

29. Ind AS 110 - Consolidated Financial Statements (CFS):

The company does not have any subsidiary and hence no consolidated financial statements required to be prepared under Ind AS 110



42 Public disclosure on liquidity risk

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

Sr. No.	Number of significant counterparties	Amount (INR Crore)	% of Total Deposit	% of Total Liabilities *
1	Commercial Paper from 3 Mutual fund companies	222	NA	57.2%
2	Loan from holding company	162	NA	41.7%

(ii) Top 20 large deposits (amount in ₹ crore and % of total deposits) - Not Applicable

(iii) Top 10 borrowings (amount in ₹ crore and % of total borrowings)

Sr. No.	Type of Borrowing	Amount	% of borrowings
1	Commercial paper	222	57.8%
2	Loan from holding company	162	42.2%
	Total	384	100%

(iv) Funding Concentration based on significant instrument/product

Sr. No.	Number of instrument / product	Amount (INR Crore)	% of Total Liabilities *
1	Commercial paper	222	57.2%
2	Loan from holding company	162	41.7%

(v) Stock Ratios:

Sr. No.	Particulars	March 31, 2020
1	Commercial Paper To Total Public Funds	NA
2	Commercial Paper To Total Liabilities*	57.2%
3	Commercial Paper To Total Assets	25.4%
4	NCD's (original maturity < 1 year) To Total Public Funds	NA
5	NCD's (original maturity < 1 year) To Total Liabilities*	NA
6	NCD's (original maturity < 1 year) To Total Assets	NA
7	Other short-term liabilities To Total Public Funds	NA
8	Other short-term liabilities To Total Liabilities*	0.7%
9	Other short-term liabilities To Total Assets	0.3%

(vi) Institutional set-up for liquidity risk management

HSBC InvestDirect Financial Services (India) Limited has Board approved policy for managing its liquidity risk. The Liquidity risk would be monitored in Asset Liability Management Committee / Risk Management Committee on a monthly basis.

* Total Liabilities is excluding Equity and reserves.

In terms of our report for even date.

For Price Waterhouse Chartered Accountants LLP
Firm's Registration No: 012754N/NS00016


Sharad Agarwal
Partner
Membership No: 118522

Mumbai
June 25, 2020

For and on behalf of the Board of Directors
HSBC InvestDirect Financial Services (India) Limited


Sharada Sangekar
Chairperson
(DIN 07788255)


Sunita Sarda
Chief Financial Officer

Mumbai
June 25, 2020


Shantanu Shankar
Managing Director
(DIN 08054929)


Sneha Doshi
Company Secretary

**Limited Review Financial
results for the quarter ended
June 2022.**

Price Waterhouse Chartered Accountants LLP

To the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited,
Building No. 3, Western Express Highway,
Goregaon (East),
Mumbai - 400 063

Limited Review Report

1. We have reviewed the accompanying unaudited financial results of HSBC InvestDirect Financial Services (India) Limited (the "NBFC") for the quarter ended June 30, 2022, which are included in the accompanying Statement of Profit and Loss (the "Statement") being submitted by the NBFC pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations, 2015"). We have digitally initialled the Statement for identification purposes only.
2. The Statement is the responsibility of the NBFC's Management and has been approved by the NBFC's Board of Directors. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement has not been prepared in accordance with the applicable accounting standards and other recognised accounting practices and policies, and has not disclosed the information required to be disclosed in accordance with the requirements of Regulation 52 of the Listing Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement, or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India (RBI) in respect of Income recognition, asset classification, provisioning and other related matters, to the extent those are not inconsistent with the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration Number: 012754N/N500016

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RUSSELL IVAN PARERA
Date: 2022.07.28
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PARERA

Russell I Parera

Partner

Membership Number: 042190

UDIN: 22042190ANTGAD6960

Place: Mumbai

Date: July 28, 2022

Price Waterhouse Chartered Accountants LLP, Nesco IT Building III, 8th Floor, Nesco IT Park, Nesco Complex
Gate No. 3 Western Express Highway, Goregaon East, Mumbai - 400 063
T: +91(22) 61198000. F: +91 (22) 61198799

Registered office and Head office: Sucheta Bhaswan, 11A Vashnu Digambar Marg, New Delhi 110 002
Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity
no: LUFIN AAC-5001) with effect from July 25, 2014. Post its Conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration
is 012754N/N500016 (ICAI registration number before conversion was 012754N).

HSBC InvestDirect Financial Services (India) Limited
Statement of Unaudited Financial Results for the quarter ended June 30, 2022

Statement of Profit and Loss for the quarter ended June 30, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	Quarter ended		For the year ended
	30-06-2022 (Unaudited)	31-03-2022*	31-03-2022 (Audited)
Revenue from operations			
Interest income	171,808	119,477	416,123
Net gain on fair value changes	2,367	2,769	17,304
Total revenue from operations	174,175	122,246	433,427
Other income	3	16,261	16,286
Total income	174,178	138,507	449,713
Expenses			
Finance costs	73,079	39,847	121,878
Impairment on financial instruments	64	277	261
Employee benefits expenses	13,427	13,320	44,112
Depreciation and amortisation	734	707	1,996
Others expenses	10,764	11,668	52,262
Total expenses	98,068	65,819	220,509
Profit before tax	76,110	72,688	229,204
Income tax expense:			
- Current tax	19,700	14,078	55,000
- Deferred tax	(391)	464	594
- (Excess)/ Short provision for tax of earlier years	-	(18,724)	(18,724)
Total tax expense	19,309	(4,182)	36,870
Profit for the period	56,801	76,870	192,334
Other comprehensive income			
i) Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations	(74)	(606)	(295)
- Changes in the fair value of equity investments at FVOCI	-	17,057	17,057
ii) Income tax relating to items that will not be reclassified to profit or loss	19	152	74
Other comprehensive profit/(loss) for the period	(55)	16,603	16,836
Total comprehensive income for the period	56,746	93,473	209,170
Earnings per equity share (Nominal value of Rs. 10 per share)			
- Basic and Diluted (Rs.)	0.39	0.53	1.31

*Refer Note 4

HSBC InvestDirect Financial Services (India) Limited
Statement of Unaudited Financial Results for the quarter ended June 30, 2022

Notes:

- 1 The above results have been prepared pursuant to the requirement of paragraph 1.2 of Annexure II of circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 (as amended by circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/167 dated December 24, 2019) and circular no. SEBI/HO/DDHS/CIR/2021/000000637 dated October 05, 2021 issued by the Securities and Exchange Board of India ("SEBI"). The financial results have been prepared in accordance with recognition and measurement principles laid down in accordance with the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34") as prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and the other accounting principles generally accepted in India. Any application guidance / clarification / directions issued by the Reserve Bank of India or other regulators are implemented as and when they are issued or applicable.
- 2 The above results have been reviewed and recommended for Board approval by the Audit Committee and approved and taken on record by the Board of Directors at the meeting held on July 28, 2022.
- 3 The spread of COVID-19 has severely impacted businesses around the globe. The Company is in the business of providing loans against securities and raising monies through borrowings. The Company has made an assessment of its liquidity position applying stress scenarios. The Company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements.
- 4 The figures for the quarter ended March 31, 2022 are the balancing figures between audited figures for the year ended March 31, 2022 and the unaudited published figures for nine months ended December 31, 2021 which were subject to limited review by the Statutory Auditor.
- 5 The figures for the quarter ended June 2021 were not subject to limited review by the Statutory Auditor and thus it has been excluded in adherence to SEBI circular SEBI/HO/DDHS/CIR/2021/000000637 dated October 05, 2021.
- 6 The Company is primarily engaged in the business of financing and there are no separate reportable segments identified as per the Ind AS 108 - Segment Reporting.
- 7 Figures for the previous period/year have been regrouped wherever necessary to confirm to current period/year presentation.

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

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Shantanu Shankar
Managing Director
(DIN 08054929)

We, Price Waterhouse Chartered Accountants LLP, have signed this statement for identification purposes only and this Statement should be read in conjunction with our report dated July 28, 2022.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

RUSSELL Digitally signed by RUSSELL IVAN PARERA Date: 2022.07.28 17:04:01 +05'30'
IVAN PARERA

Russell I Parera
Partner
Membership No: 042190

Mumbai
July 28, 2022

**Limited Review Financial
results for the quarter ended
September 2022.**

Price Waterhouse Chartered Accountants LLP

Review Report

To the Board of Directors of,
HSBC InvestDirect Financial Services (India) Limited,
Building No. 3, Western Express Highway,
Goregaon (East),
Mumbai – 400 063

1. We have reviewed the accompanying unaudited financial results of HSBC InvestDirect Financial Services (India) Limited (the "NBFC") for the quarter ended September 30, 2022 and the year to date results for the period April 1, 2022 to September 30, 2022, which are included in the accompanying Statement of Profit and Loss, the unaudited Statement of Assets and Liabilities as on that date and the Statement of Cash Flows for the half-year ended on that date (the "Statement") being submitted by the NBFC pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations, 2015). We have digitally signed the Statement for identification purposes only.
2. The Statement is the responsibility of the NBFC's Management and has been approved by the NBFC's Board of Directors. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement has not been prepared in accordance with the applicable accounting standards and other recognised accounting practices and policies, and has not disclosed the information required to be disclosed in accordance with the requirements of Regulation 52 of the Listing Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement, or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India (RBI) in respect of Income recognition, asset classification, provisioning and other related matters, to the extent those are not inconsistent with the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration Number: 012754N/ N500016

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IVAN PARERA

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Date: 2022.11.11
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Russell I Parera
Partner
Membership Number: 042190
UDIN: 22042190BCULHP5490

Place: Mumbai
Date: November 11, 2022

Price Waterhouse Chartered Accountants LLP, Nesco IT Building III, 8th Floor, Nesco IT Park, Nesco Complex
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Registered office and Head office: Sucheta Bhawan, 11A Vishnu Digambar Marg, New Delhi 110 002
Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LUPN AAC-5001) with effect from July 25, 2014. Post its Conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/N500016 (ICAI registration number before conversion was 012754N)

HSBC InvestDirect Financial Services (India) Limited
Statement of Unaudited Financial Results for the quarter and half year ended September 30, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	Quarter ended			Half year ended		Year ended
	September 30, 2022 (Unaudited)	June 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	March 31, 2022 (Audited)
Revenue from operations						
Interest income	178,173	171,808	90,001	349,981	197,215	416,123
Reversal of impairment on financial instruments	-	-	95	-	125	-
Net gain on fair value changes	6,007	2,367	7,659	8,374	9,219	17,304
Total revenue from operations	184,180	174,175	97,755	358,355	206,559	433,427
Other income	1,526	3	3	1,529	23	16,286
Total income	185,706	174,178	97,758	359,884	206,582	449,713
Expenses						
Finance costs	78,041	73,079	29,351	151,120	55,617	121,878
Impairment on financial instruments	79	64	-	143	-	261
Employee benefits expenses	12,306	13,427	10,305	25,733	20,027	44,112
Depreciation and amortisation	720	734	472	1,454	691	1,996
Others expenses	12,353	10,764	10,897	23,117	18,713	52,262
Total expenses	103,499	98,069	51,025	201,567	95,048	220,509
Profit before tax	82,207	76,110	46,733	158,317	111,534	229,204
Income tax expense:						
- Current tax	20,770	19,700	10,448	40,470	27,448	55,000
- Deferred tax	(232)	(391)	650	(623)	1,470	594
- (Excess)/ Short provision for tax of earlier years	51	-	-	51	-	(18,724)
Total tax expense	20,589	19,309	11,098	39,898	28,918	36,870
Profit for the period	61,618	56,801	35,635	118,419	82,616	192,334
Other comprehensive income						
i) Items that will not be reclassified to profit or loss						
- Remeasurements of post-employment benefit obligations	(73)	(74)	103	(147)	206	(295)
- Changes in the fair value of equity investments at FVOCI	-	-	-	-	-	17,057
ii) Income tax relating to items that will not be reclassified to profit or loss	18	19	(26)	37	(52)	74
Other comprehensive profit/(loss) for the period	(55)	(55)	77	(110)	154	16,836
Total comprehensive income for the period	61,563	56,746	35,712	118,309	82,770	209,170
Earnings per equity share (Nominal value of Rs. 10 per share)						
- Basic and Diluted (Rs.)	0.42	0.39	0.24	0.81	0.56	1.31

HSBC InvestDirect Financial Services (India) Limited

Statement of Unaudited Financial Results for the quarter and half year ended September 30, 2022

Statement of Unaudited Assets and Liabilities as at September 30, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	As at 30-09-2022 (Unaudited)	As at 30-09-2021 (Unaudited)	As at 31-03-2022 (Audited)
ASSETS			
Financial assets			
Cash and cash equivalents	33,005	9,041	12,274
Bank balance other than cash and cash equivalents	403,942	403,570	403,202
Loans	10,013,821	4,712,653	8,581,427
Investments	102,417	1,259,299	209,799
Other financial assets	7,148	4,729	7,148
Non-financial assets			
Current tax assets (Net)	156,383	156,424	143,181
Deferred tax assets (Net)	2,770	1,160	2,110
Property, plant and equipment	3,884	3,162	4,351
Intangible assets	2,771	4,282	3,527
Other non-financial assets	6,592	4,174	5,209
Total assets	10,732,733	6,558,494	9,372,228
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables			
(i) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	13,124	10,500	10,700
Debt securities	4,054,766	98,975	2,816,565
Borrowings (other than debt securities)	1,620,189	1,620,000	1,620,000
Other financial liabilities	3,152	3,045	856
Non-financial Liabilities			
Current tax liabilities (Net)	-	15,311	-
Provisions	2,754	17,195	2,077
Other non-financial liabilities	1,502	931	3,093
EQUITY			
Equity share capital	1,462,847	1,462,847	1,462,847
Other equity	3,574,399	3,329,690	3,456,090
Total equity	5,037,246	4,792,537	4,918,937
Total liabilities and equity	10,732,733	6,558,494	9,372,228

HSBC InvestDirect Financial Services (India) Limited
Statement of Unaudited Financial Results for the quarter and half year ended September 30, 2022

Statement of cash flows for the half year ended September 30, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	April 1, 2022 to September 30, 2022 (Unaudited)	April 1, 2021 to September 30, 2021 (Unaudited)	April 1, 2021 to March 31, 2022 (Audited)
CASH FLOW FROM OPERATING ACTIVITIES :			
Profit before tax:	158,317	111,534	229,204
Adjustments :			
Depreciation and amortisation	1,454	691	1,996
Impairment on financial assets	143	-	261
Interest expense on borrowings	48,457	(125)	99,101
Interest paid on borrowings	(48,457)	-	(99,101)
Interest expense on debt securities	99,480	-	19,860
Liability no longer required written back	-	-	(16,173)
Interest income on bank deposits	(9,962)	(9,674)	(19,278)
Unrealised gain on mutual fund	(136)	(5,507)	(144)
Realised gain on mutual fund	(8,238)	(3,712)	(17,160)
Interest on income tax refund	(1,524)	-	-
Operating profit before working capital changes	239,534	93,207	198,566
Adjustments for working capital changes:			
(Increase)/decrease in bank balance other than cash and cash equivalents	(740)	143	511
(Increase)/decrease in loans	(1,432,537)	1,254,529	(2,614,632)
Increase in other financial assets	-	9,984	7,565
(Increase)/decrease in other non financial assets	(1,383)	(722)	(1,757)
Adjustments for increase/ (decrease) in operating liabilities			
Trade payables	2,424	(963)	(763)
Other financial liabilities	2,296	(6,593)	(8,782)
Provisions	530	363	917
Other non financial liabilities	(1,591)	(1,676)	486
Cash generated from operations	(1,431,001)	1,255,065	(2,616,455)
Less : Income taxes paid (net of refunds)	(52,200)	(31,499)	(42,341)
Net cash inflow / (outflow) from operating activities	(1,243,667)	1,316,773	(2,460,230)
CASH FLOW FROM INVESTING ACTIVITIES :			
Placement of fixed deposit with bank	(290,400)	(138,400)	(138,400)
Proceeds from fixed deposit with bank	290,400	140,000	140,000
Interest income on bank deposits	9,962	9,674	19,278
Purchase of fixed assets	(231)	(1,171)	(2,909)
Investment in mutual fund	(5,515,000)	(2,975,000)	(7,102,500)
Redemption in mutual fund	5,630,757	1,835,000	7,037,141
Net cash inflow / (outflow) from investing activities	125,488	(1,129,897)	(47,390)
CASH FLOW FROM FINANCING ACTIVITIES :			
Proceeds from issue of debt securities	5,388,721	98,975	3,199,265
Repayment of debt securities	(4,250,000)	(247,439)	(650,000)
Net cash inflow / (outflow) from financing activities	1,138,721	(148,464)	2,549,265
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	20,542	38,412	41,645
Add : Cash and cash equivalents at beginning of the period	12,274	(29,371)	(29,371)
Cash and cash equivalents at end of the period	32,816	9,041	12,274

Reconciliation of cash and cash equivalents as per the statement of cash flows

Cash and cash equivalents as per above comprise of the following

Particulars	As at 30-09-2022 (Unaudited)	As at 30-09-2021 (Unaudited)	As at 31-03-2022 (Audited)
Cash and cash equivalents	33,005	9,041	12,274
Bank overdrafts	(189)	-	-
Balances as per statement of cash flows	32,816	9,041	12,274

HSBC InvestDirect Financial Services (India) Limited
Statement of Unaudited Financial Results for the quarter and half year ended September 30, 2022

Notes:

- 1 The above results have been prepared pursuant to the requirement of paragraph 1.2 of Annexure II of circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 (as amended by circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/167 dated December 24, 2019) and circular no. SEBI/HO/DDHS/CIR/2021/0000000637 dated October 05, 2021 issued by the Securities and Exchange Board of India ("SEBI"). The financial results have been prepared in accordance with recognition and measurement principles laid down in accordance with the Indian Accounting Standard 34 "Interim Financial Reporting" ('Ind AS 34') as prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and the other accounting principles generally accepted in India. Any application guidance / clarification / directions issued by the Reserve Bank of India or other regulators are implemented as and when they are issued or applicable.
- 2 The above results have been reviewed and recommended for Board approval by the Audit Committee and approved and taken on record by the Board of Directors at the meeting held on November 11, 2022.
- 3 The spread of COVID-19 has severely impacted businesses around the globe. The Company is in the business of providing loans against securities and raising monies through borrowings. The Company has made an assessment of its liquidity position applying stress scenarios. The Company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements.
- 4 The Company is primarily engaged in the business of financing and there are no separate reportable segments identified as per the Ind AS 108 - Segment Reporting.
- 5 Figures for the previous period/year have been regrouped wherever necessary to confirm to current period/year presentation.

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

SHANTANU Digitally signed by
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U SHANKAR
SHANKAR Date: 2022.11.11
19:01:27 +05'30'

Shantanu Shankar
Managing Director
(DIN 08054929)

We, Price Waterhouse Chartered Accountants LLP, have signed this statement for identification purposes only and this Statement should be read in conjunction with our report dated November 11, 2022.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

RUSSELL Digitally signed by
IVAN RUSSELL IVAN
PARERA PARERA
PARERA Date: 2022.11.11
19:22:55 +05'30'

Russell I Parera
Partner
Membership No: 042190

Mumbai

Loan Against Securities

HSBC InvestDirect Financial Services (India) Limited

Background:

HSBC InvestDirect Financial Services (India) Limited (“HIFSL”) is a Non-Banking Finance Company (NBFC) registered with Reserve Bank of India. HIFSL is a part of the HSBC group and primarily in the business of lending against financial securities. HIFSL has been consistently AAA rated by Fitch and CIRSIL.

Value Proposition & Key Features/Benefits

Value Proposition:

1. Loan Against Securities is a secured loan using readily marketable financial securities or highly liquid instruments (such as listed stocks / shares, mutual fund units, bonds) as collateral
2. It meets immediate cash and liquidity needs without requiring to liquidate financial assets
3. Provides a source of liquidity up to a certain percentage of the market value of the securities
4. Supports cash flow needs and/or use for a variety of purposes (As allowed by local regulations)
5. Line-of-credit and Fixed term loans available

Key Features and Benefits:

1. Generally, lower cost of borrowing compared to other types of loans
2. Cash against long-term assets without liquidation
3. Get credit up to 50% of equities/equity mutual funds, 80 to 90% on debt mutual funds and bonds
4. Direct cash payouts into customer’s HSBC bank account
5. Loans limits based on credit worthiness and value of eligible collaterals

The company offers the following types of loan:

1. Demand Loan – This facility would be offered for tenure upto 1 (one) year. The same can be renewed for a max period of 3 (three) years.
2. Term Loan – This facility would be offered for tenure upto 3 (three) years for a fixed term.

Eligibility:

This facility is available to our existing individual customers enjoying a past satisfactory relationship with HSBC. NRIs are currently not eligible for this loan.

Purpose:

For meeting contingencies and needs of personal nature. Loan will be permitted for subscribing to rights or new issue of shares against the security of existing shares. Loan will not be sanctioned for (i) speculative purposes (ii) inter-corporate investments or (iii) acquiring controlling interest in company / companies (iv) IPO Financing

Loan Amount:

Minimum Amount: Minimum - INR 25 lakhs

Maximum Amount – Dependent on HIFSL's single and group borrower's limit in line with regulations

Security:

Pledge of the demat shares/ Mutual Funds/ Bonds/ FMP against which loan is sanctioned. This will be subject to approval.

Service:

1. Dedicated HIFSL Representative
2. Regular updates on loan account and collateral portfolio

Interest Rate:

Interest rate is linked to Reference Rate (RR) which is currently at 8.00% p.a. The RR includes costs that are common across all borrowers and is subject to change.

Risk Management & Monitoring:

HIFSL uses systems which maintains the loan account details, provides the daily MTM valuations of collateral securities, drawing power calculations, margin call triggers and feeds the required management information reports to Risk for margin actions and monitoring.

Margin call:

The margin calls will be triggered as per the written agreement between HIFSL and customers and inline with the regulatory timelines.