



**HDB FINANCIAL SERVICES LIMITED**

**CIN: U65993GJ2007PLC051028**

(Incorporated on June 4, 2007, in the name of HDB Financial Services Limited ("THE ISSUER") a company within the meaning of the Companies Act, 1956 and registered with the Reserve Bank of India as a Non-Banking Financial Company)

**Registered Office:** Radhika, 2<sup>nd</sup> Floor, Law Garden Road, Navrangpura,  
Ahmedabad – 380 009  
Tel: +91 079-30482717

**Corporate Office:** Ground Floor, Zenith House, Keshavrao Khadye Marg, Opp. Race  
Course, Mahalaxmi, Mumbai – 400034; Tel: 022- 39586300/49116300;  
Fax: 022-39586666/49116666; **Website:** www.hdbfs.com;  
**Contact Person:** Mr. Haren Parekh, Chief Financial Officer;  
**e-mail:** compliance@hdbfs.com

#### **Information Memorandum**

Disclosures under Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued by SEBI, as amended by the SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 vide notification dated October 12, 2012 and from time to time and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended/replaced from time to time, as amended from time to time, for issue of 1,300 Unsecured Non-Convertible Subordinate Bonds of the face value of Rs.10,00,000 each for cash, aggregating to Rs.130 crore, on Private Placement Basis (THE "ISSUE")

**GENERAL RISK:** For taking an investment decision, investors must rely on their own examination of the issue, the disclosure document and the risk involved. The Securities have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this disclosure document. Investors should carefully read and note the contents of the Information Memorandum/Disclosure document. Each potential investor should make its own independent assessment of the merit of the investment in Subordinate Bonds and the Issuer Company. Potential Investor should consult their own financial, legal, tax and other professional advisors as to the risks and investment considerations arising from an investment in the Subordinate Bonds and should possess the appropriate resources to analyze such investment and suitability of such investment to such investor's particular circumstance. Potential investors are required to make their own independent evaluation and judgment before making the investment and are believed to be experienced in investing in debt markets and are able to bear the economic risk of investing in such instruments.

**ISSUER'S ABSOLUTE RESPONSIBILITY:** The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Shelf Disclosure Document contains all information as required under Schedule I of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 as amended from time to time, that this information contained in this Shelf Disclosure Document is true and fair in all material respects and is not misleading in any material respect, that the opinions and intentions

expressed herein are honestly held and that there are no other facts, the omission of which makes this Shelf Disclosure Document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**CREDIT RATING:** Credit Analysis & Research Limited ("CARE") has assigned a "CARE AAA/Stable" (pronounced "CARE Triple A" with stable outlook) and CRISIL Limited ("CRISIL") has assigned a "CRISIL AAA/Stable" (pronounced "CRISIL Triple A" with stable outlook) rating to the captioned Issue. As per CARE & CRISIL's rating letter(s), instruments with this rating are considered to have a high degree of safety regarding timely servicing of financial obligations and such instruments carry very low credit risk. Investors may please note that the rating is not a recommendation to buy, sell or hold securities and investors should take their own decisions. The rating agency has the right to suspend, withdraw or revise the rating / outlook assigned to the Issue at any time, on the basis of new information or unavailability of information or other circumstances which the rating agency believes may have an impact on the rating.

**LISTING:** The Unsecured Redeemable Non-Convertible Subordinate Bonds are proposed to be listed on the Whole Sale Debt Market Segment of the Bombay Stock Exchange 'BSE'.

Issuer	Subordinate Bond Trustee	Registrar to Issue	ARRANGER
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<b>HDB Financial Services Limited</b>	<b>IDBI Trusteeship Services Limited</b>	<b>Link Intime India Pvt. Ltd.</b>	<b>ICICI Securities Primary Dealership Ltd.</b>
			<b>Darashaw &amp; Co. Pvt. Ltd.</b>
Regd office: Radhika, 2 <sup>nd</sup> Floor, Law Garden Road, Navrangpura, Ahmedabad – 380009.	Regd office: Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001	C 101, 247 Park, L B S Marg, Vikhroli West Mumbai – 400 083	<b>Regd office:</b>  ICICI Centre, HT Parekh Marg, Churchgate, Mumbai – 400020.  1205/06, Regent Chambers, 208 Nariman Point, Mumbai 400 021
Corp office: Ground Floor, Zenith House, Keshavrao Khadye Marg, Opp. Race Course, Mahalaxmi, Mumbai - 400034	Corp office: Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001	C 101, 247 Park, L B S Marg, Vikhroli West Mumbai – 400 083	<b>Corporate Office:</b>  ICICI Centre, HT Parekh Marg, Churchgate, Mumbai – 400020.  1205/06, Regent Chambers, 208 Nariman Point, Mumbai 400 021
Tel: 022-49116300 Fax: 022-39586666	Tel: 022-40807008 Fax: 022-66311776	Tel: +91 22 49186000 Fax: +91 22 49186060	Tel: 022 – 2288 2460 Fax: 022 – 2288 2312  Tel: 022 – 430 22100 Fax: 022 – 430 22199
E-mail : compliance@hdbfs .com	E-mail : ajit.guruji@idbitrus tee.com	E-mail : ganesh.jadhav@linkin time.co.in	E-mail : karan.mehta@isecpd.com  vinamra- tibrewala@darashaw.com
Contact Person: Mr. Haren Parekh, Chief Financial Officer	Contact Person: Mr. Ajit Guruji, Sr. Vice President	Contact Person: Mr. Ganesh Jadhav, Asst. Vice President – Depository Operations	Contact Person: Mr. Karan Mehta Sr. Associate  Vinamra Tibrewala Associate Vice President

**HDB Financial Services Limited**

<b>Compliance Officer</b>	<b>Chief Financial Officer</b>	<b>Statutory Auditor</b>	<b>Credit Rating Agency</b>
<p>Ms. Dipti Khandelwal,</p> <p>Ground Floor, Zenith House, Keshavrao Khadye Marg, Opp. Race Course, Mahalaxmi, Mumbai - 400034</p>	<p>Mr. Haren Parekh</p> <p>Ground Floor, Zenith House, Keshavrao Khadye Marg, Opp. Race Course, Mahalaxmi, Mumbai - 400034</p>	<p>M/s B S R &amp; Co., LLP,</p> <p>Chartered Accountants, Lodha Excelus, 1<sup>st</sup> Floor, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai - 400011</p>	<p>Credit Analysis &amp; Research Ltd.,</p> <p>4<sup>th</sup> floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022</p> <p>Crisil Limited, CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400076.</p>

## TABLE OF CONTENTS

Sr. No.	Title
1	Definitions
2	Disclaimer
3	General Information
4	Summary of Business / Activities
5	Brief history of issuer company since incorporation, details of reorganization/ changes in capital structure/borrowings
6	Consent from existing lenders
7	Terms pertaining to the issue
8	Application process
9	Risk Factors
10	Summary Term Sheet
11	Annexure I – Trustee Consent Letter
12	Annexure II - Rating Rationale
13	Annexure III – Application Form
14	Annexure IV - Sub-ordinate Debt Certificate

## DEFINITIONS

Term	Meaning
Application Form	The form in which an investor can apply for subscription to the Subordinate Bonds as provided in Annexure I
Articles of Assn. / AoA	Articles of Association of HDB Financial Services Limited (HDB)
Board	Board of Directors of HDB
BSE	Bombay Stock Exchange Limited
CoR	Certificate of Registration. The Certificate of Registration obtained from the Reserve Bank of India under Sec.45 IA of Reserve Bank of India Act, 1934
CDSL	Central Depository Services (India) Limited
Company / Issuer / HDB	Issuer HDB Financial Services Ltd (HDB) Limited
Companies Act	The Companies Act, 1956 and the Companies Act 2013, as may be applicable
Date of Allotment / Deemed Date of Allotment	The date on which allotment for the Issue is made.
Depositories	A depository registered with the SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended from time to time, in this case being NSDL and CDSL.
DP	Depository Participant
Disclosure Document / Information Memorandum / Offer Document	This Information Memorandum through which the Subordinate Bonds are being offered for private placement
DNBS	Department of Non- Banking Supervision (of RBI)
FY	Financial Year
GOI	Government of India
INR / Rs.	Rupees - Currency of Republic of India
Investors	Those persons who fall under the category of eligibility to whom this information memorandum along with pricing supplement may be sent with a view to offering the Subordinate Bonds for sale on private placement basis through this information memorandum
Issue	Issue of 1,300 Unsecured Redeemable Non-Convertible Subordinate Bonds (Subordinate Bonds) of the face value of Rs. 10,00,000 each for cash, aggregating to Rs.130 Crores on a Private Placement Basis
NBFC	Non Banking Financial Company
NPA	Non Performing Asset (as defined in RBI guidelines)
NSDL	National Securities Depository Limited
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
SEBI Debt Listing Regulations	Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued by SEBI, as amended by the SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 vide notification dated October 12, 2012 and from time to time and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended/replaced from time to time.
Arranger	ICICI Securities Primary Dealership Ltd. & Darashaw & Co. Pvt. Ltd.

Subordinate Bonds / Securities	Debt Instruments/ Unsecured, redeemable Non- convertible Subordinate Bonds issued / proposed to be issued pursuant to this Information Memorandum.
Subordinate Bonds Trust Deed / Trust Deed	The Subordinate Bonds trust deed dated July 22, 2016 executed by and between the Trustee and the Company in relation to the Subordinate Bonds, the terms of which read along with this Information Memorandum shall govern the Issue.
TDS	Tax Deducted at Source

## **DISCLAIMER**

### **GENERAL DISCLAIMER**

This document is neither a "Prospectus" nor a "Statement in Lieu of Prospectus" but a "Disclosure Document" prepared in accordance with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide Circular No. LAD-NRO/GN/2008/13/127878 dated June 06, 2008 read along with Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide Notification No. LAD-NRO/GN/2012-13/19/5392 dated October 12, 2012. This document does not constitute an offer to the public generally to subscribe for or otherwise acquire the Subordinate Bonds to be issued by HDB Financial Services Ltd. (the "Issuer"/ the "Company"/ the "Issuer Company" / "HDB"). The document is for the exclusive use of the prospective investors to whom it is delivered and it should not be circulated or distributed to any third parties. The Issuer certifies that the disclosures made in this document are generally adequate and are in conformity with the captioned SEBI Regulations. This requirement is to facilitate investors to take an informed decision for making investment in the proposed Issue. The Company can, at its sole and absolute discretion change the terms of the offer. The Company reserves the right to close the Issue earlier from the aforesaid date or change the Issue time table including the Date of Allotment at its sole discretion, without giving any reasons or prior notice. The Issue will be open for subscription at the commencement of banking hours and close at the close of banking hours. The Issue shall be subject to the terms and conditions of this Information Memorandum and other documents in relation to the Issue.

### **DISCLAIMER OF THE RESERVE BANK OF INDIA**

The Securities have not been recommended or approved by the Reserve Bank of India nor does RBI guarantee the accuracy or adequacy of this document. It is to be distinctly understood that this document should not, in any way, be deemed or construed that the securities have been recommended for investment by the RBI. RBI does not take any responsibility either for the financial soundness of the Issuer Company, or the securities being issued by the Issuer Company or for the correctness of the statements made or opinions expressed in this document. Potential investors may make investment decision in the securities offered in terms of this Disclosure Document solely on the basis of their own analysis and RBI does not accept any responsibility about servicing/ repayment of such investment.

### **DISCLAIMER OF THE SECURITIES & EXCHANGE BOARD OF INDIA**

This Disclosure Document has not been filed with Securities & Exchange Board of India (SEBI). The Securities have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this document. It is to be distinctly understood that this document should not, in any way, be deemed or construed that the same has been cleared or vetted by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the Issue is proposed to be made, or for the correctness of the statements made or opinions expressed in this document. The issue of Subordinate Bonds being made on private placement basis, filing of this



document is not required with SEBI, however SEBI reserves the right to take up at any point of time, with the Issuer Company, any irregularities or lapses in this document.

#### **DISCLAIMER OF THE ARRANGER**

It is advised that the Issuer Company has exercised self-due-diligence to ensure complete compliance of prescribed disclosure norms in this Disclosure Document. The role of the Arranger in the assignment is confined to marketing and placement of the Subordinate Bonds on the basis of this Disclosure Document as prepared by the Issuer Company. The Arranger has neither scrutinized/ vetted nor has it done any due-diligence for verification of the contents of this Disclosure Document. The Arranger shall use this document for the purpose of soliciting subscription from qualified institutional investors in the Subordinate Bonds to be issued by the Issuer Company on private placement basis. It is to be distinctly understood that the aforesaid use of this document by the Arranger should not in any way be deemed or construed that the document has been prepared, cleared, approved or vetted by the Arranger; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this document; nor does it take responsibility for the financial or other soundness of the Issuer, its promoters, its management or any scheme or project of the Issuer Company. The Arranger or any of its directors, employees, affiliates or representatives does not accept any responsibility and/or liability for any loss or damage arising of whatever nature and extent in connection with the use of any of the information contained in this document.

#### **DISCLAIMER OF THE TRUSTEE**

The Trustees are not borrower or Principal Debtor or Guarantors of the Monies paid/Invested by investors for the Subordinate Bonds.

#### **DISCLAIMER OF THE ISSUER**

The Issuer confirms that the information contained in this Disclosure Document is true and correct in all material respects and is not misleading in any material respect. All information considered adequate and relevant about the Issue and the Issuer Company has made available in this Disclosure Document for the use and perusal of the potential investors and no selective or additional information would be available for a section of investors in any manner whatsoever. The Issuer Company accepts no responsibility for statements made otherwise than in this Disclosure Document or any other material issued by or at the instance of the Issuer Company and anyone placing reliance on any other source of information would be doing so at his/her/their own risk.

#### **DISCLAIMER OF THE STOCK EXCHANGE**

As required, a copy of this Disclosure Document has been submitted to the Bombay Stock Exchange Ltd. (hereinafter referred to as "BSE") for hosting the same on its website. It is to be distinctly understood that such submission of the document with BSE or hosting the same on its website should not in any way be deemed or construed that the document has been cleared or approved by BSE; nor does it in any

manner warrant, certify or endorse the correctness or completeness of any of the contents of this document; nor does it warrant that this Issuer's securities will be listed or continue to be listed on the Exchange; nor does it take responsibility for the financial or other soundness of the Issuer, its promoters, its management or any scheme or project of the Issuer Company. Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

### **1.1 FORCE MAJEURE**

The Company reserves the right to withdraw the Issue at any time prior to the closing date thereof in the event of any unforeseen development adversely affecting the economic and/or regulatory environment or otherwise. In such an event, the Company will refund the application money, if any, collected without assigning any reason.

### **1.2 ISSUE OF BONDS IN DEMATERIALIZED FORM**

The Bonds will be issued in dematerialised form. The Issuer has made arrangements with the Depositories for the issue of the Bonds in dematerialised form. Investors will have to hold the Bonds in dematerialised form as per the provisions of the Depositories Act. The Issuer shall take necessary steps to credit the Bonds allotted to the beneficiary account maintained by the Investor with its Depository Participant. The Issuer will make the Allotment to investors on the Deemed Date(s) of Allotment after verification of the Application Form, the accompanying documents and on realisation of the application money.

### **1.3 EACH PERSON RECEIVING THIS INFORMATION MEMORANDUM ACKNOWLEDGES THAT:**

- (3.a) Such person has been afforded an opportunity to request and to review and has received all additional information considered by it to be necessary to verify the accuracy of or to supplement the information herein;
- (3.b) Such person has not relied on any intermediary that may be associated with issuance of Bonds in connection with its investigation of the accuracy of such information or its investment decision.

The Issuer does not undertake to update the information in this Information Memorandum to reflect subsequent events after the date of the Information Memorandum and thus it should not be relied upon with respect to such subsequent events without first confirming its accuracy with the Issuer. Neither the delivery of this Information Memorandum and/or any other Offer documents nor any sale of Bonds made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof.

## **GENERAL INFORMATION**

### **REGULATORY DISCLOSURES**

The Information Memorandum is prepared in accordance with the provisions of SEBI Debt Listing Regulations and in this section, the Issuer has set out the details required as per Schedule I of the SEBI Debt Listing Regulations

#### **Documents to be submitted to the Stock Exchange**

1. Memorandum and Articles of Association and necessary resolution(s) for the allotment of the Bonds;
2. Copy of last three years audited Annual Reports;
3. Statement containing particulars of, dates of, and parties to all material contracts and agreements;
4. Copy of the Board / Committee Resolution authorizing the borrowing and list of authorized signatories;
5. Any other particulars or documents that the recognized stock exchange may call for as it deems fit;

#### **Documents Submitted to the Bond Trustee**

The following documents have been / shall be submitted to the Bond Trustee in electronic form (soft copy):

1. Memorandum and Articles of Association and necessary resolution(s) for the allotment of the Bonds;
2. Copy of last three years' audited Annual Reports;
3. Statement containing particulars of, dates of, and parties to all material contracts and agreements;
4. Latest Audited / Limited Review Half Yearly Consolidated (wherever available) and Standalone Financial Information (Profit & Loss statement, Balance Sheet and Cash Flow statement) and auditor qualifications, if any.
5. An undertaking to the effect that the Issuer would, till the redemption of the debt securities, submit the details mentioned in point (d) above to the Bond Trustee from time to time, for furnishing / publishing its half yearly/ annual result. Further, the Issuer shall within 180 (One Hundred Eighty) days from the end of the financial year, submit a copy of the latest annual report to the Bond Trustee and the Trustee shall be obliged to share the details submitted under this clause with all 'Qualified Institutional Buyers' (QIBs) and other existing bond-holders within 2 (two) working days of their specific request.

**SECTION – IV FINANCIAL STATEMENTS**

<b>Particulars</b>	<b>FY 2016-17 (Audited)</b>	<b>FY 2015-16 (Audited)</b>	<b>FY 2014-15 (Audited)</b>	<b>FY 2013-14 (Audited)</b>	<b>FY 2012-13 (Audited)</b>
Total Debt	25587	19612	15278	11075	7154
of which – Non Current Maturities of	18760	13470	10500	7846	5056
- Long Term Borrowing					
- Short Term Borrowing	2080	910	350	405	150
- Current Maturities of	4747	5231	4428	2824	1948
Long Term Borrowing					
Net Fixed Assets	131	83	52	39	20
Non Current Assets	24221	18940	14602	10260	6244
Cash and Cash Equivalents	189	135	123	140	12
Current Investments	400	300	425	0	0
Current Assets	8515	5731	4540	3250	2028
Current Liabilities	2157	1752	1106	829	175
On balance sheet assets	32292	24410	18898	13387	8204
Off balance sheet assets	1985	1497	301	173	48
Net worth	5363	3562	3125	1629	874
Total revenue	5715	3302	2527	1688	963
Net Interest Income	2037	1444	929	796	451
Profit before tax	1059	818	530	318	150
Profit after tax	699	534	349	209	102
Dividend declared	Interim Rs 0.90 & Final Rs 0.60 (15%)	Interim Rs 0.60 & Final Rs 0.60 (12%)	Rs 0.70/- (i.e. @7%)	Re. 0.50/- (i.e. @5%)	Nil
Interest Coverage Ratio [(Cash profits after tax + interest paid) / interest paid]	1.33	1.34	1.26	1.23	1.20

**NAME AND ADDRESS OF THE REGISTERED OFFICE OF THE COMPANY**

<b>Name</b>	HDB Financial Services Ltd.
<b>Registered address:</b>	Radhika, 2 <sup>nd</sup> Floor, Law Garden Road Navrangpura, Ahmedabad – 380009 Tel: +91 079-30482717
<b>Corporate Office:</b>	Ground Floor, Zenith House, Keshavrao Khadye Marg, Opp. Race Course, Mahalaxmi, Mumbai - 400034 Tel: 022- 39586300 / 49116300; Fax: 022-39586666 / 49116666
<b>Contact Person / Compliance officer :</b>	Ms. Dipti Khandelwal
<b>E-mail Id:</b>	compliance@hdbfs.com
<b>Phone No:</b>	022-49116368
<b>Fax:</b>	022-39586666
<b>Website:</b>	<a href="http://www.hdbfs.com">www.hdbfs.com</a>

**OFFER OF BONDS**

HDB is seeking offer for subscription of Unsecured Redeemable Non-Convertible Subordinated Bonds. This offer of Bonds is made in India to Companies, Corporate Bodies, Trusts registered under the Indian Trusts Act, 1882, Societies registered under the Societies Registration Act, 1860 or any other applicable laws, provided that such Trust/ Society is authorised under constitution/ rules/ bye-laws to hold Subordinate Bonds in a Company, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Insurance Companies, Provident Funds, Gratuity Funds, Superannuation Funds, Commercial Banks including Regional Rural Banks and Co-operative Banks (subject to RBI Permission) as defined under Indian laws. The Memorandum of Information does not however, constitute an offer to sell or an invitation to subscribe to securities offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Memorandum of Information comes is required to inform himself about and to observe any such restrictions.

**SUMMARY OF BUSINESS / ACTIVITIES****(i) Overview**

HDB Financial Services Ltd. was incorporated in Ahmedabad on June 4, 2007, as a non deposit taking Non Banking Financial Company (NBFC) as defined under section 45-1A of RBI Act 1934 and is engaged in the business of financing. The Company achieved total income of Rs.5714.54 crores and net profit of Rs.698.77 crores in FY 16-17 with total net worth of Rs. 5362.90 crores as at March 31, 2017. The Company is promoted by HDFC Bank Ltd. which has 96.20% shareholding in the Company as on March 31, 2017. The Company has been rated AAA/Stable by CARE and CRISIL for long term loans from banks. The Company's capital adequacy ratio as on March 31, 2017 was 20.79%, as against minimum regulatory requirement of 15% for non deposit accepting NBFCs. The asset quality of the Company remains healthy

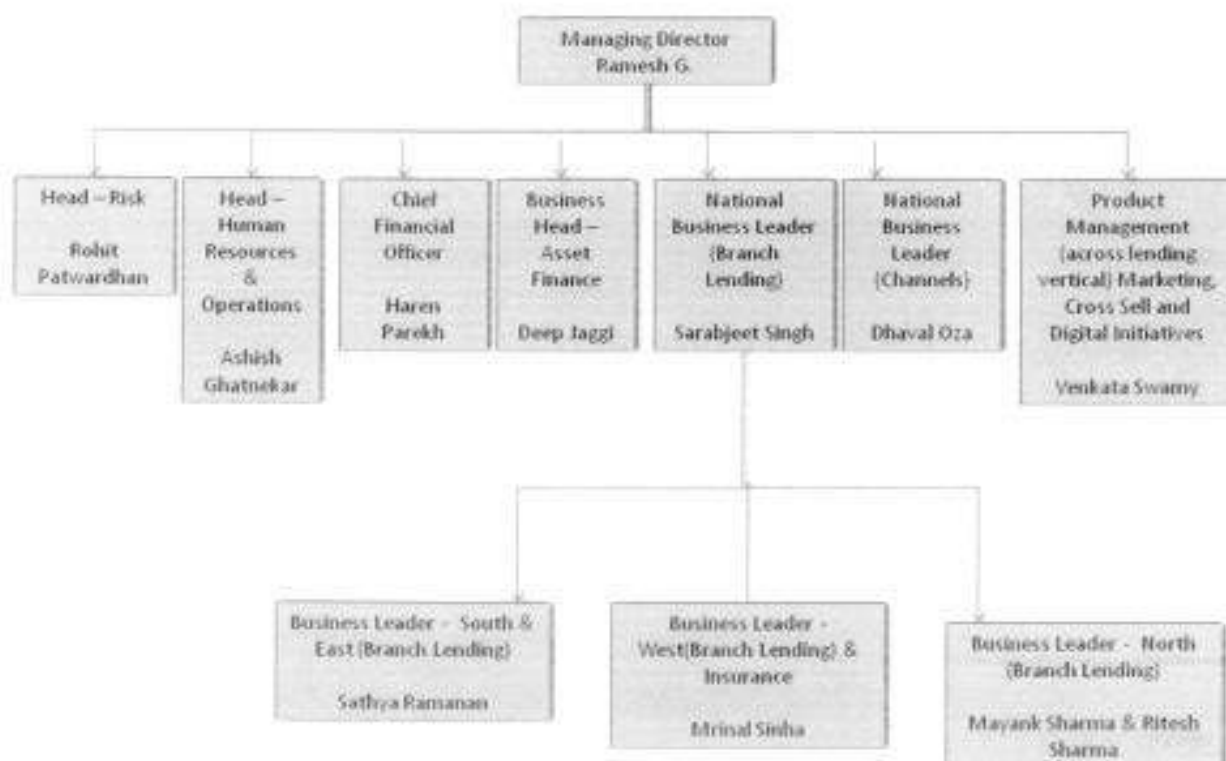
with Gross NPAs at 1.45% and Net NPAs at 0.85% as on March 31, 2017. During FY 16-17, the Company has disbursed loans amounting to Rs.19,171 Crores.

The Company caters to the growing needs of India's increasingly affluent middle market. The requirements of medium, small and micro business enterprises that are too small to be serviced by corporate lending institutions are also addressed by the Company through suitable products and services. These segments are typically underserved by the larger commercial banks thus creating a profitable niche for the company to address.

## (ii) Brief Particulars of the management of the Company and the corporate structure

The Company is professionally Board Managed Company headed by Mr. Ramesh G., Managing Director and Chief Executive Officer (MD & CEO). He reports to the Board. He has direct reportees in each function viz. Mr. Haren Parekh, Chief Financial Officer, Mr. Ashish Ghatnekar Head - HR & Operations, Mr. Rohit Patwardhan, Head-Risk. All the functional heads report to MD. The Company is having a qualified and dedicated pool of employees.

### Organization Structure - Corporate



### (iii) Business Activity:

HDB's primary focus is on small borrowers whose credit requirements are under Rs.8 Crores. It has the following products and services:

**Loans** – The Company offers a range of loan products both in the secured and unsecured categories that fulfills the financial needs of its target segments.

- **Unsecured loans** – The Company offers unsecured loans in the range of Rs.1,00,000/- (Rupees One Lakh only) to Rs. 30,00,000/- (Rupees Thirty Lakhs only). These loans are offered as term loans with a maximum tenure of upto 60 (Sixty) months.

**Secured loans** – Secured loans are offered to customers to address the larger loan requirements or longer repayment requirements. Secured loans are in the range of Rs.1,00,000/- (Rupees One Lakh only) to Rs. 12,00,00,000 (Rupees Twelve Crore only). These loans are offered as term loans with a maximum tenure of upto 180 (One Hundred and Eighty) months. The loans are offered as fixed rate or floating rate depending on the collateral, structure and tenure of the loan proposed.

The Company provides secured loans against the following collaterals as security for the loans:

- Residential / commercial property;
- Shares, mutual fund units;
- Marketable securities such as bonds; and
- Gold jewellery

**Asset Finance** - The Company offers loans for purchase of new & used vehicles and equipment that generate income for the borrowers.

- **Commercial Vehicle Loans** - The Company provides loans for purchase of new and used commercial vehicles. The Company also offers refinancing for vehicles.
- **Construction Equipment Loans** - The Company provides loans for purchase of new and used construction equipment.
- **Tractor Loans** - The Company provides loans for purchase of new and used tractors.

**Sales Finance** - The Company provides loans for purchase of white goods such as washing machines and refrigerators and brown goods such as televisions, audio equipment and similar household appliances.

**Insurance services:-** The Company is a registered Corporate Insurance Agent having license no. HDF 4684721 from Insurance Regulatory & Development Authority of India (IRDAI). The Company sells life and general insurance products of HDFC Standard Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited respectively. IRDAI has renewed Corporate Agency license of the Company which is valid for three years from April 01, 2016 to March 31, 2019 vide its license reg. no. CA0095 dated March 22, 2016.



**BPO Services :-** a. The Company has a contract with HDFC Bank to run collection call centres and collect overdue from borrowers. The Company has set up 13 call centres across the country with a capacity of over 3500 seats. These centres provide collection services for the entire gamut of retail lending products of HDFC Bank. The Company offers end to end collection services in over 500 locations through its calling and field support teams.

b. Post merger of HBL and ADFC with the Company, the Company provides sales support services, back office, operations and processing support to HDFC Bank.

- **Infrastructure:** The Company has 1151 branches in 818 cities in India as on March 31, 2017 thus creating the right distribution network to sell its products and services. The Company has its data centre at Bengaluru and centralised operations in Hyderabad and Chennai.



**(iv) Key Operational and Financial Parameters for the last three Audited years (on standalone basis):**

The Key Operational and Financial Parameters for the last three Audited Financial years (on standalone basis) are as under:

Parameters	FY 2016-17	FY 2015-16	FY 2014-15
Net worth	5363	3562	3125
Total Debt	25587	19612	15278
Non current maturities of long term borrowing	18760	13470	10500
Non current maturities of short term borrowing	2080	910	350
Current maturities of long term borrowing	4747	5231	4428
Net Fixed Assets	131	83	52
Non Current Assets	24221	18940	14602
Cash and Cash Equivalents	189	135	123
Current Investments	400	300	425
Current Assets	8515	5731	4540
Current Liabilities	2157	1752	1106
Assets under Management	34277	25906	19290
Off Balance Sheet Assets	1985	1497	301
Interest Income	4087	3016	2276
Interest Expense	2050	1572	1347
Provisioning & Write-offs	340	194	172
PAT	699	534	350
Gross NPA (%)	1.45%	1.23%	0.84%
Net NPA (%)	0.85%	0.72%	0.48%
Tier I Capital Adequacy Ratio (%)	15.26%	13.44%	15.46%
Tier II Capital Adequacy Ratio (%)	5.53%	5.79%	7.56%
EPS (Rs.)	9.64	7.64	6.63
Book value (Rs.)	68.73	50.87	44.68

**Gross Debt Equity Ratio**

Before the issue of debt securities                      5.49 times

After the issue of debt securities                         5.52 times

**(v) Key Strengths of the Company:**

**Access to Cost Effective Funding:** The Company has access to cost effective funding because of its strong parentage and conservative risk management policies. The Company maintains relationship with several banks and financial institutions.

**Experienced Management Team:** The Company has an experienced management team which is supported by efficient and capable employee pool. The board comprises of senior professionals of HDFC Bank who have in depth experience in the financial services industry and in Banking. The senior management is composed of professionals who have deep understanding of the industry and have extensive experience in financial services sector.

**Effective Risk Management policies:** The Company recognizes the importance of Risk management and has accordingly invested in processes, people and a management structure. The risk committee of the Company also reviews the asset quality at frequent intervals. Product policy programs are duly approved before any new product launches and are fine tuned regularly. The asset quality of the company continues to remain healthy and the Gross NPA of the company is at 1.45 % and Net NPAs are at 0.82% as of March 31, 2017.

**(vi) Business Prospects:**

Governments has been focusing on addressing investments in Infrastructure like energy, roads, mining, transport and Supply Chain bottlenecks in Agriculture etc which is likely to create large opportunities for private sector investment. Our Company sees a great opportunity for Bank & NBFCs play a vital role by lending / financing for the Infrastructure transport and agriculture sectors.

The Government in its budget has taken several measures to boost FDI investment in country development. This will result in development of Micro, Small and Medium Enterprises (MSMEs), in turn bring growth to NBFCs as MSMEs are dependent on NBFCs for project financing and Working Capital.

In view of the declining trend of inflation and therefore the stance of RBI to reduce the REPO rate would enable credit off take during the current financial year. With the government's initiative to boost infrastructure projects, removing mining roadblocks, NBFCs can look for growth in Commercial Vehicle & Equipment funding.

**(vii) Business Strategy:**

HDB's Business strategy has been to provide Best in Class Product and services to India's increasingly affluent middle market. To achieve this objective, the company has invested in a "Direct to Customer" distribution model to provide personalized services to its target segment.

The company's business strategy emphasizes the following:

- Develop and provide personalized solutions for its target segment that address specific needs of customers.
- Provide personalized customer experience through its branch network to enhance customer relationships.
- Leverage technology to reach out to customers and deliver more products to manage operating costs.
- Focus on asset quality through disciplined Risk Management.
- Identify new product / market opportunities that build economies of scale.
- Expand Distribution to new markets.

The Company's competitive advantage is product innovation and being able to customize a product to the requirements of the customer.

The Company is confident that the Year 2017-18 will bring reasonable growth.

**(ix) HDB Loan Portfolio**

(Rs. in crores)

Particulars	Amount (as on December 31, 2017)
Loan against property	17686
Asset Finance loans	11659
Unsecured Business loans	8246
Other Secured loans	2052
<b>Total</b>	<b>39643</b>

#### 4 BRIEF HISTORY OF ISSUER COMPANY SINCE INCORPORATION, DETAILS OF REORGANIZATION/CHANGES IN CAPITAL STRUCTURE/BORROWINGS

##### (I) BACKGROUND

The Company was promoted by HDFC Bank as non-banking finance company (Non Deposit taking) and the Company continues to be a subsidiary of HDFC Bank which has a shareholding of 95.87% as on December 31, 2017.

##### (II) CAPITAL STRUCTURE

The authorised share capital of the Company is **Rs.1,001,55,00,000/-** (Rupees One Thousand One Crore Fifty Five Lakh Only) divided into 100,15,50,000 equity shares of Rs. 10/- each

There has been no reorganization or changes in capital structure except for issue of shares which are given below.

##### 1. Details of share capital as on the last quarter ended December 30, 2017

Share Capital (as on 31.12.2017)	Rs. (In Crores)
Authorised 100,15,50,000 Equity Shares of Rs.10 each	1,005.55
Issued, Subscribed and Fully Paid- up 78,29,36,256 Equity Shares of Rs.10 each	782.93

##### Notes:

Of the above Issued, Subscribed and Paid up share capital 75,05,96,670 equity shares are held by HDFC Bank Ltd., the holding company of the Company.

The paid-up share capital shall remain unchanged after the issues. The Bonds being Non-Convertible and to be issued at par, there will be no change in the paid-up capital due to conversion and there will be no change in the balance of the share premium account.

The present offer is for issue of 1,300 Unsecured Redeemable Non-Convertible Subordinate Bonds (Subordinate Bonds) of the face value of Rs.10 Lacs each for cash, aggregating to Rs. 130 crores, on Private Placement Basis.

(ii) Equity Share Capital History of the Company as on December 31, 2017

The details of equity share capital raised by the Company as on December 31, 2017

Date of Allotment	No. of Equity Shares	Face Value (Rs)	Form of Consideration (other than cash, etc)	Issue Price (Rs)	Nature of allotment	Cumulative			Remark
						No. of Equity shares	Equity Share Capital (Rs)	Equity Share Premium (in Rs.)	
21/06/12	20000	10	Cash	10	ESOS Vesting	410625600	4106256000	0	-
21/06/12	8000	10	Cash	17.50	ESOS Vesting	410633600	4106336000	2962218500	-
07/12/12	88800	10	Cash	17.50	ESOS Vesting	410722400	4107224000	2962884500	-
07/12/12	43350	10	Cash	25	ESOS Vesting	410765750	4107657500	2963534750	-
11/07/13	102691469	10	Cash	46	Rights Issue	513457219	5134572190	7687342324	-
29/08/13	13950	10	Cash	17.50	ESOS Vesting	513471169	5134711690	7687446949	-
29/08/13	3000	10	Cash	25	ESOS Vesting	513474169	5134741690	7687491949	-
04/12/13	276050	10	Cash	Series 4 -	ESOS	51375021	5137502190	7691636599	-

				17.5/- Series 5 - 25/- Series 6 - 31/-	Exercise	9			
26/11/14	565800	10	Cash	Series 4C - 17.5/- Series 5C - 25/- Series 6A - 31/- Series 6B - 31/- Series 7A - 56	ESOS Exercise	5143 1601 9	5143160190	7712243399	-
05/03/15	565800	10	Cash	65	Rights Issue	6994 6987 6	6994698760	17895705534	-
27/08/15	141600	10	Cash	Series 4C - 17.5/- Series 5B - 25/- Series 6A - 31/-	ESOS Exercise	6996 1147 6	6996114760	17900753734	-

				Series 6B – 31/-					
				Series 7A – 56/-					
30/11/15	560950	10	Cash	Series 6B – 31/-	ESOS Exercise	7001 7242 6	7001724260	17922581184	-
				Series 6C – 31/-					
				Series 7A – 56/-					
				Series 7B – 56/-					
29/09/16	352900	10	Cash	Series 5C – 25/-	ESOS Exercise	7005 2532 6	7005253260	17937273084	-
				Series 6B – 31/-					
				Series 6C – 31/-					
				Series 7A – 56/-					
				Series 7B – 56/-					

29/11/2016	907900	10	Cash	Series 6C – 31/- Series 7B – 56/- Series 8A – 88/-	ESOS Exercise	7014 3322 6	7014332260	18014911884	
16/12/2016	75,60,985	10	Cash		Scheme of amalgamation	7089 9421 1	7089942110	18014911884	
14/02/2017	3,18,640	10	Cash	Series 6C – 31/- Series 7B – 56/- Series 8A – 88/-	ESOS Exercise	7093 1285 1	7093128510	18042031004	
23/03/2017	70931445	10	Cash	155	Rights issue	7802 4429 6	7802442960	28327090529	
28/9/2017	1200  97600	10  10	Cash	Series 6C – 31/-  Series 7B – 56/-	ESOS Exercise	7802 4549 6  7803 4309 6	7802454960  7803430960  7807509560	28327115729 28331605329 28363418409	



	407860	10		Series 8A – 88/-		780750956			
05/12/2017	32900	10	Cash	Series 8A – 88/-	ESOS Exercise				
	1057600	10						28580005409	
	1094800	10		Series 8B – 88/-		782936256	7829362560		
				Series 9A – 137/-					-

**(III) Details of any Acquisition or Amalgamation in the last 1 year–**

The Company had received requisite approvals from the respective High Courts on the amalgamation of erstwhile M/s. Atlas Documentary Facilitators Company Private Limited and erstwhile M/s. HBL Global Private Limited (hitherto jointly referred to as 'Transferor Companies') into HDB Financial Services Limited. Pursuant to the scheme of amalgamation, the entire business with all the assets, liabilities, reserves and surplus of transferor companies were transferred to and vested in the Company, on a going concern basis with effect from appointed date of April 1, 2014, while the Scheme has become effective from December 1, 2016. Accordingly, the impact of amalgamation has been given in the current financial year with effect from the appointed date.

**(IV) Details of any Reorganization or Reconstruction in the last 1 year:- Not Applicable**

**(V) Details of the shareholding of the Company as on the latest quarter ended December 31, 2017:-**

**Shareholding pattern:**

Sr. No.	Particulars	No. of equity shares held	No. of shares held in demat form	Shareholding as % of total shares
1	HDFC Bank	75,05,96,670	75,05,96,670	95.87%
2	Others	3,23,39,586	3,23,39,586	4.13%

Notes: - Shares pledged or encumbered by the promoters (if any): Not Applicable

2. List of top 10 holders of equity shares: (as on December 31, 2017)

Sr. No.	Name of Shareholder	Total Number of Equity Shares	No. of shares in demat form	Shareholding as % of total shares
1.	HDFC BANK LTD	750,596,670	750,596,670	95.87
2.	HDB EMPLOYEE WELFARE TRUST (THROUGH ITS TRUSTEES)	2,618,699	2,618,699	0.33
3.	ADFC EMPLOYEES WELFARE TRUST (THROUGH ITS TRUSTEES)	1,922,062	1,922,062	0.25
4.	VISTRA ITCL (INDIA) LIMITED	1,481,284	1,481,284	0.19
5.	VINOD YENNEMEDI	893,198	893,198	0.11
6.	HARISH H ENGINEER	653,256	653,256	0.08
7.	RAMESH G.	474,500	474,500	0.06
8.	ANKITA PARESH SUKTHANKAR	435,000	435,000	0.06
9.	ASHISH PARTHASARTHY	415,278	415,278	0.05
10.	ABHAY AIMA	4,00,076	4,00,076	0.05

(VI) Details regarding the directors of the Company:

a. Details of the current directors of the Company\*

Name, Designation and DIN	Date of birth	Address	Occupation	Director of the Company Since	Details of other directorship
Mr. Aditya Puri, Non Executive Chairman  DIN - 00062650	27.10.1950	1001-1002, Vinayak Aangan, NB Parulekar Marg, Prabhadevi, Mumbai - 400 025	Service	01.05.2016	1. HDFC Bank Limited 2. Samea Board of Master Card 3. Indian Institute of Foreign Trade
Mr. Bhavesh Zaveri, Non Executive Director,  DIN - 01550468	24.12.1965	202, Prabhukunj Co- Operative Housing Society 5 Peddar Road, Mumbai- 400 026	Service	01.05.2016	1.The National Payments Corporation of India Limited 2.The Clearing Corporation of India 3.Swift India Domestic Services Private Limited 4.Goods & Service Tax Network
Mr. Jimmy Tata, Non Executive Director DIN- 06888364	13.07.1966	Sea Side, Bhulabhai Desai Road, Mumbai- 400 036	Service	01.05.2016	1.International Asset Reconstruction Company Private Limited
Mr. Ramesh G., Managing Director and Chief Executive Officer,  DIN - 05291597	22.09.1969	C -101, Ashok Gardens, Tokersey Jivraj Road, Sewree, Mumbai 400015	Service	01.07.2012	Nil

Mr. Venkatraman Srinivasan Independent Director  DIN - 00246012	09.03.1959	73, Keshav Smruti, 88, Veer Savarkar Marg, Mumbai-400028	Chartered Accountant	12.03.2015	1. Central U.P. Gas Limited 2. UTI Retirement Solutions Limited
Ms. Smita Affinwalla Independent Director  DIN - 07106628	04.11.1962	7A, A Block, 3rd Floor, Khalakdina Terrace, August Kranti Marg, Mumbai-400 036	Consultant	12.03.2015	1. Avameh Consultancy Private Limited 2. Illuminos Consultancy Private Limited

\* Company to disclose name of the current directors who are appearing in the RBI defaulter list and/or ECGC default list, if any: None of the Directors are appearing in the RBI defaulter list and/or ECGC default list.

Details of change in directors since last three years:

Sr. No.	Name, Designation and DIN	Date of Appointment / Resignation	Director of the Company since (in case of resignation)	Remarks
1.	Mr. Venkatraman Srinivasan Independent Director DIN - 07106628	12/03/2015	-	
2.	Ms. Smita Affinwalla Independent Director DIN - 07106628	12/03/2015	-	
3.	Mr. Anil Jaggia Director DIN - 00317490	23/09/2015	23/12/2011	
4.	Mr. G. Subramanian, Chairman DIN- 00712803	30/04/2016	04/06/2007	
5.	Mr. Kalzad Bharucha, Director DIN- 02490648	30/04/2016	13/01/2009	
6.	Mr. Aditya Puri, Chairman DIN – 00062650	01/05/2016	-	

7.	Mr. Jimmy Tata, Director DIN – 06888364	01/05/2016	-	
8.	Mr. Bhavesh Zaveri, Director DIN - 01550468	01/05/2016	-	

**(VII) Following details regarding the auditors of the Company:**

**a. Details of the auditor of the Company:**

Name	Address	Auditor since
B S R & Co. LLP Chartered Accountants	Lodha Excelus, 1 <sup>st</sup> Floor, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai – 400011	FY 2013-2014

**b. Details of change in auditor since last three years: None**

**(VIII) Details of borrowings of the Company, as on December 31, 2017:**

**a. Details of Secured Loan Facilities:**

Name of the Bank	Sanction limit	Amount outstanding as on 31.12.17	Undrawn Lines	Repayment Schedules (No Of Instalments)
Axis Bank	300.00	300.00	0.00	6
Bank of Baroda	300.00	300.00	0.00	6
Canara Bank	1,700.00	1,200.00	500.00	10
Corporation bank	1,150.00	400.00	750.00	6
HDFC Bank	2,019.09	1,459.09	560.00	78
HSBC Bank	180.00	180.00	0.00	11
ICICI Bank	1,633.33	1,033.33	600.00	56
Indian Bank	250.00	250.00	0.00	5
J&K Bank	415.00	415.00	0.00	21
JP Morgan chase	500.00	500.00	0.00	2
Punjab national bank	2,000.00	1,600.00	400.00	1
State bank of India	1,819.53	1,819.53	0.00	14
<b>Bank loans</b>	<b>11,966.95</b>	<b>9,456.95</b>	<b>2,510.00</b>	

**Note -**

- 1) All installments are residual installment payable for outstanding loan amount.
- 2) All the above-mentioned loans are secured against "receivables from financing activities".

b. Details of Unsecured Loan Facilities:-

None

c. Details of NCDs outstanding as on December 31, 2017:

Debenture Series	Tenor (in )	Coupon (%) p.a.	Amount (Rs. In crores)	Date of Allotment	Redemption Date
Series 2013 A/1/18	1,826	9.39%	50	10-01-13	10-01-18
Series 2013 A/1/19	1,825	9.33%	50	18-01-13	17-01-18
2013 Series A/1/28	1,826	10.35%	103	08-10-13	08-10-18
Series 2014 A/1/33	1,810	9.97%	59.8	13-01-14	28-12-18
Series 2014 A/1/34	1,810	9.97%	97	13-01-14	28-12-18
Series 2014 A/1/37	1,824	10%	80	17-02-14	15-02-19
Series 2014 A/1/38	1,826	9.49%	100	18-06-14	18-06-19
Series 2014 A/1/41	1,826	9.56%	150	31-07-14	31-07-19
Series 2014 A/1/48	1235	9.29%	200	28-10-14	16-03-18
Series 2015 A/1/53	1096	8.97%	210	20-02-15	20-02-18
Series 2015 A/0/54	1157	Zero Coupon	250	16-03-15	16-05-18
Series 2015 A/0/55	1150	8.66%	100	27-04-15	20-06-18
Series 2015 A/1/56	1136	8.67%	110	29-04-15	08-06-18
Series 2015 A/1/57	1158	8.80%	113	26-05-15	27-07-18
Series 2015 A/1/58	1096	8.77%	100	02-06-15	02-06-18
Series 2015 A/1/61	1096	8.81%	110	28-07-15	28-07-18
Series 2015 A/0/62_Option 1	1096	Zero Coupon	50	30-07-15	30-07-18
Series 2015 A/0/62_Option 2	1086	Zero Coupon	42	30-07-15	20-07-18
Series 2015 A/1/63	1157	8.71%	200	20-08-15	20-10-18
Series 2015 A/1/65	1084	8.65%	200	07-10-15	25-09-18
Series 2015 A/1/66	1098	8.51%	200	20-10-15	22-10-18
Series 2015 A/1/67	1095	8.50%	300	30-10-15	29-10-18
Series 2015 A/1/68_Option 1	1130	8.52%	141	23-11-15	27-12-18
Series 2015 A/0/68_Option 2	1113	Zero Coupon	75	23-11-15	10-12-18
Series 2015 A/0/70_Option 1	1102	Zero Coupon	200	11-12-15	17-12-18
Series 2015 A/0/70_Option 2	1215	Zero Coupon	50	11-12-15	09-04-19
Series 2015 A/0/71_Option 1	1029	Zero Coupon	31	29-12-15	23-10-18
Series 2015 A/0/71_Option 2	1171	Zero Coupon	86	29-12-15	14-03-19
Series 2015 A/1/71_Option 3	1093	8.67%	95	29-12-15	26-12-18
Series 2016 A/1/72_Option 1	1127	8.65%	100	12-01-16	12-02-19
Series 2016 A/0/72_Option 2	1183	8.6364%	39	12-01-16	09-04-19
Series 2016 A/1/73_Option 1	1124	8.8205%	218	01-02-16	01-03-19
Series 2016 A/1/73_Option 2	1086	8.8103%	58	01-02-16	22-01-19

Series 2016 A/1/73_Option 3	1149	8.81%	61	01-02-16	26-03-19
Series 2016 B/4/74	1094	8.72%	500	03-03-16	02-03-19
Series 2016 A/1/75	1095	8.90%	175	29-02-16	28-02-19
Series 2016 A/0/76_Option 1	1107	Zero Coupon	133	14-03-16	26-03-19
Series 2016 A/1/76_Option 2	1093	8.8394%	110	14-03-16	12-03-19
Series 2016 A/1/77	1125	8.4800%	330	13-04-16	13-05-19
Series 2016 A/1/78_Option 1	1136	8.5400%	100	02-05-16	12-06-19
Series 2016 A/1/78_Option 2	1095	8.5500%	75	02-05-16	02-05-19
Series 2016 A/1/79	1123	8.6300%	202	20-05-16	17-06-19
Series 2016 A/1/80	1125	8.6900%	130	03-06-16	03-07-19
Series 2016 A/1/82_Option 1	1386	8.6580%	200	14-06-16	13-03-20
Series 2016 A/1/82_Option 2	1186	8.6530%	100	14-06-16	13-09-19
Series 2016 A/1/83	973	8.5800%	175	08-07-16	08-03-19
Series 2016 A/1/84_Option 1	730	8.3500%	175	27-07-16	27-07-18
Series 2016 A/1/84_Option 2	1097	8.4000%	200	27-07-16	29-07-19
Series 2016 A/1/85_Option 1	730	8.2700%	100	03-08-16	03-08-18
Series 2016 A/0/85_Option 2	1135	Zero Coupon	200	03-08-16	12-09-19
Series 2016 A/1/86	1094	8.3000%	200	10-08-16	09-08-19
Series 2016 A/0/87	730	Zero Coupon	260	23-08-16	23-08-18
Series 2016 A/1/88	1278	8.0550%	102	01-09-16	02-03-20
Series 2016 A/1/89_Option 1	1097	7.9500%	100	15-09-16	17-09-19
Series 2016 A/0/89_Option 2	1187	Zero Coupon	195	15-09-16	16-12-19
Series 2016 A/0/89_Option 3	791	Zero Coupon	270	15-09-16	15-11-18
Series 2016 A/1/90	731	7.8500%	270	23-09-16	24-09-18
Series 2016 A/0/91_Option 1	1094	Zero Coupon	200	28-09-16	27-09-19
Series 2016 A/1/91_Option 2	1094	7.9000%	100	28-09-16	27-09-19
Series 2016 A/1/92	786	7.6400%	175	19-10-16	14-12-18
Series 2016 A/1/93	1093	7.7800%	135	27-10-16	25-10-19
Series 2016 A/1/94_Option 1	759	7.9300%	200	08-11-16	07-12-18
Series 2016 A/1/94_Option 2	1123	7.9700%	300	08-11-16	06-12-19
Series 2016 A/1/95	730	7.5800%	250	22-11-16	22-11-18
Series 2016 A/1/96	730	7.4100%	200	29-11-16	29-11-18
Series 2016 A/1/97	1128	7.5000%	215	01-12-16	03-01-20
Series 2016 A/1/98	729	7.9500%	110	29-12-16	28-12-18
Series 2016 A/1/99_Option 1	1105	7.6800%	110	17-01-17	27-01-20
Series 2016 A/1/99_Option 2	730	7.6300%	125	17-01-17	17-01-19
Series 2016 A/1/99_Option 3	1126	7.6735%	100	17-01-17	17-02-20
Series 2017 A/1/100_Option 1	765	7.6800%	200	25-01-17	01-03-19
Series 2017 A/0/100_Option 2	1150	Zero Coupon	300	25-01-17	20-03-20
Series 2017 A/1/101_Option 1	546	7.6040%	100	31-01-17	31-07-18
Series 2017 A/1/101_Option 2	730	7.6700%	150	31-01-17	31-01-19
Series 2017 A/1/101_Option 3	1119	7.7100%	200	31-01-17	24-02-20

Series 2017 A/1/102 Option 1	730	7.7500%	160	22-02-17	22-02-19
Series 2017 A/1/102 Option 2	1097	7.8200%	260	22-02-17	24-02-20
Series 2017 A/1/103	1126	7.7600%	135	26-04-17	26-05-20
Series 2017 A/1/104 Option 1	764	7.7900%	225	11-05-17	14-06-19
Series 2017 A/1/104 Option 2	1127	7.8300%	100	11-05-17	11-06-20
Series 2017 A/0/104 Option 3	1154	Zero Coupon	125	11-05-17	08-07-20
Series 2017 A/1/105	1127	7.8000%	100	18-05-17	18-06-20
Series 2017 A/1/106	1127	7.8000%	300	29-05-17	29-06-20
Series 2017 A/1/107 Option 1	745	7.6300%	150	13-06-17	28-06-19
Series 2017 A/1/107 Option 2	1095	7.7000%	200	13-06-17	12-06-20
Series 2017 A/1/108	1096	7.5500%	375	19-06-17	19-06-20
Series 2017 A/1/109	1126	7.5200%	500	18-07-17	17-08-20
Series 2017 A/1/110	1159	7.4300%	400	27-07-17	28-09-20
Series 2017 A/1/111 Option 1	730	7.2800%	400	28-08-17	28-08-19
Series 2017 A/1/111 Option 2	521	7.1600%	130	28-08-17	31-01-19
Series 2017 A/1/112	1096	7.3000%	400	08-09-17	08-09-20
Series 2017 A/0/113	1126	Zero Coupon	400	20-09-17	20-10-20
Series 2017 A/1/114	1127	7.5000%	500	18-10-17	18-11-20
Series 2017 A/1/115	730	7.4200%	200	31-10-17	31-10-19
Series 2017 A/1/116	1097	7.6300%	800	06-12-17	07-12-20

\*Note – All the above-mentioned NCDs are:

- secured against "Immovable property & receivables from financing activities
- rated 'AAA' by CARE & Crisil

**d. Details of Subordinated Bonds outstanding as on December 31, 2017:**

Bond Series	Tenor / Period of Maturity	Coupon (%)	Amount (Rs. In crores)	Date of Allotment	Redemption Date/ Schedule
2012 I/1/1	10 years	10.2	250	09-08-12	09-08-22
2012 I/1/2	10 years	9.7	150	30-11-12	30-11-22
2012 I/1/3	10 years	9.6	200	22-03-13	22-03-23
2013 I/1/4	10 years	10.2	100	18-10-13	17-10-23
2013 I/1/5	10 years	10.05	50	20-12-13	20-12-23
2013 I/1/6	10 years	10.19	80	18-03-14	18-03-24
2014 I/1/7	10 years	9.7	200	20-06-14	20-06-24
2014 I/1/8	10 years	9.55	100	13-11-14	13-11-24
2014 I/1/9	10 years	9.55	200	17-11-14	15-11-24
2016 I/1/10	10 years	8.79	220	22-07-16	22-07-26



2016 1/1/11	10 years	8.05	170	06-12-16	04-12-26
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**6. List of top 10 Debenture Holders as on December 31, 2017:**

Sr. No.	Name of the Debenture Holder	Amount (Rs. in lakhs)
1	HDFC TRUSTEE COMPANY LIMITED	140800
2	HDFC BANK LIMITED	116500
3	RELIANCE CAPITAL TRUSTEE COMPANY LIMITED	112000
4	BIRLA SUN LIFE TRUSTEE COMPANY PRIVATE LIMITED	104800
5	WIPRO LIMITED	98500
6	IDFC FUND	96000
7	PUNJAB NATIONAL BANK	40500
8	LIFE INSURANCE CORPORATION OF INDIA	40000
9	HINDUSTAN ZINC LIMITED	39500
10	NPS TRUST	34950

Note: Top 10 holders' (in value terms, on cumulative basis for all outstanding debenture issues) details have been provided above.

**7. List of Top Ten Subordinate Bondholders (as on December 31, 2017)**

Sr. No.	Name of the Subordinate Bondholders	(Rs. in lakhs) Amount
1	NPS TRUST	33500
2	POSTAL LIFE INSURANCE FUND	21000
3	ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED	20000
4	INFOSYS LIMITED EMPLOYEES PROVIDENT FUND TRUST	12200
5	RURAL POSTAL LIFE INSURANCE FUND	9500
6	HDFC STANDARD LIFE INSURANCE COMPANY LIMITED	5000

7	THE NEW INDIA ASSURANCE COMPANY LIMITED	5000
8	THE UNION PROVIDENT FUND	3600
9	LARSEN AND TOUBRO OFFICERS AND SUPERVISORY STAFF PROVIDENT FUND	3410
10	SERUM INSTITUTE OF INDIA PRIVATE LIMITED	3100

**8. Details of Commercial Paper outstanding as on December 31, 2017:**

The total Face Value of Commercial Papers Outstanding as on December 31, 2017 and its breakup are as follows:

CP Series	Amount (Rs. In crores)	Rate %	No. of days	Issue Date	Due Date
133	250	7.50	364	28-02-17	27-02-18
136	100	7.35	364	11-05-17	10-05-18
137	100	7.35	338	24-05-17	27-04-18
138	200	7.35	364	24-05-17	23-05-18
142	300	7.03	242	01-06-17	29-01-18
143	300	7.03	268	06-06-17	01-03-18
147	100	6.69	208	21-07-17	14-02-18
148	100	6.69	209	21-07-17	15-02-18
149	100	6.69	210	21-07-17	16-02-18
153	300	7.01	364	20-09-17	19-09-18
155	400	6.85	156	10-10-17	15-03-18
156	100	7.10	364	11-10-17	18-10-18
159	300	6.90	76	29-12-17	15-03-18

**Details of Rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares) as on December 31, 2017**

NA

**Details of all default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities and other financial indebtedness including corporate guarantee issued by the Company, in the past 5 years.**

As on December 31, 2017 there was no default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities.

Details of any outstanding borrowings taken/ debt securities issued where taken / issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option.

NA

Details of Promoters of the Company:-

Details of Promoter Holding in the Company as on the year ended December 31, 2017:-

Sr. No.	Name of the Shareholders	Total No of Equity Shares	No of shares in demat form	Total shareholding as % of total shares	No of Shares Pledged	% of Shares pledged with respect to shares owned
1	HDFC Bank Ltd.	75,05,96,670	75,05,96,670	95.87%	Nil	Nil

**5-2** Abridged version of Audited Consolidated (wherever available) and Standalone Financial Information (like Profit & Loss statement, Balance Sheet and Cash Flow statement) for at least last three years and auditor qualifications, if any:

<b>Balance Sheet (Currency : Indian Rupees in Crores)</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	780.24	700.17	699.47
Reserves and surplus	4582.66	2861.63	2,425.66
<b>Total (A)</b>	<b>5362.90</b>	<b>3561.80</b>	<b>3,125.13</b>
<b>Non-current liabilities</b>			
Long-term borrowings	18760.22	13470.45	10,500.06
Other long-term liabilities	159.74	113.35	104.56
Long-term provisions	189.03	150.15	128.30
<b>Total (B)</b>	<b>19108.99</b>	<b>13733.95</b>	<b>10,732.92</b>
<b>Current liabilities</b>			
Short-term borrowings	2080	910.38	350.28
Trade payables	283.27	204.59	51.96
Other current liabilities	6092.29	6410.26	5,249.28
Short-term provisions	528.64	368.09	232.56
<b>Total (C)</b>	<b>8984.20</b>	<b>7893.35</b>	<b>5,884.08</b>
<b>Grand total (A+B+C)</b>	<b>33456.09</b>	<b>25189.07</b>	<b>19,742.13</b>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			

i. Tangible assets	125.79	81.29	51.00
ii. Intangible assets	5.18	1.54	1.40
iii. Capital work-in-progress	0.24	-	-
Non-current investments	65.06	48.42	8.43
Deferred tax assets	138.45	110.48	81.24
Long-term loans and advances:			
- Receivables under financing activity	23967.35	18742.41	14,504.12
Other non-current assets	50.28	39.08	8.13
<b>Total (D)</b>	<b>24352.35</b>	<b>19023.22</b>	<b>14,654.32</b>
<b>Current assets</b>			
Current investments	400.00	300.00	425.00
Trade receivables	115.42	23.50	14.46
Cash and cash equivalents	188.70	135.04	123.27
Short-term loans and advances			
- Receivables under financing activity	8324.45	5667.19	4,485.01
- Other loans and advances	14.14	4.60	32.52
Other current assets	61.03	35.52	7.55
<b>Total (E)</b>	<b>9103.74</b>	<b>6165.85</b>	<b>5,087.81</b>
<b>Grand total (D+E)</b>	<b>33456.09</b>	<b>25189.07</b>	<b>19,742.13</b>
<b>Off- Balance Sheet:</b>	<b>1985.14</b>	<b>1496.88</b>	<b>301.08</b>

<b>Cash Flow Statement (in INR)</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>A. Cash flows from operating activities</b>			
Profit/(Loss) before tax	1058.59	817.81	530.28
Adjustments for:			
Depreciation and amortisation	38.62	19.89	13.85
Provision and write offs	339.59	194.24	171.65
Provision for compensated absence & gratuity	14.87	1.75	1.28
Discount on commercial paper	219.76	126.97	53.01
Loss on sale of assets	0.14	0.05	0.00
<b>Operating profit before working capital changes</b>	<b>1671.57</b>	<b>1160.71</b>	<b>770.07</b>
<b>Changes in working capital:</b>			
(Increase)/decrease in advances	(77.44)	(39.92)	(65.40)
(Increase)/decrease in trade	(52.28)	(9.03)	5.05

receivable			
(Increase)/decrease in other assets	(244.72)	(154.95)	(39.36)
Increase/(decrease) in other liabilities and provisions	(622.87)	219.26	91.80
Increase/(decrease) in Trade payables	80.24	152.63	28.98
<b>Cash generated from operations</b>	<b>754.50</b>	<b>1328.70</b>	<b>791.14</b>
Income tax paid	287.23	(255.00)	(173.00)
<b>Net cash generated from operating activities</b>	<b>1041.73</b>	<b>1073.70</b>	<b>618.14</b>
(Increase)/decrease in receivable under financing activity(net)	(7882.21)	(5420.47)	(5601.66)
Increase/(decrease) in Borrowing (Net)	5974.90	4334.19	4202.97
<b>Net cash flow generated from / (used in) operating activities (A)</b>	<b>(865.58)</b>	<b>(12.58)</b>	<b>(780.55)</b>
<b>B. Cash flows from investing activities</b>			
Purchase of fixed assets	(74.29)	(50.38)	(27.00)
Proceeds from sale of fixed assets	0.29	0.00	0.02
(Increase)/decrease in Long term investment	(15.64)	(39.98)	(6.09)
(Increase)/decrease in Short term investment	(100)	125	(425.00)
<b>Net cash used in investing activities (B)</b>	<b>(189.64)</b>	<b>34.63</b>	<b>(458.07)</b>
<b>C. Cash flows from financing activities</b>			
Proceeds from issue of shares including securities premium	1111.73	3.39	1206.13
Interim dividend and dividend distribution tax	(76.83)	(50.57)	
<b>Net cash generated from financing activities (C)</b>	<b>1034.90</b>	<b>(47.18)</b>	<b>1206.13</b>
<b>Net increase/(decrease) in cash and cash equivalents during the year (A+B+C)</b>	<b>(20.32)</b>	<b>(25.13)</b>	<b>(32.50)</b>
Cash and cash equivalents at the beginning of the year	60.79	85.91	118.41
Cash and cash equivalents acquired	29.56		

pursuant to Scheme of Amalgamation			
Cash and cash equivalents at the end of the year	70.03	60.79	85.91

Profit and Loss Statement (in INR Lakhs)	For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2015
Revenue from Operations	5711.35	3297.77	2521.63
Other Income	3.19	4.25	5.63
<b>Total Revenue</b>	<b>5714.54</b>	<b>3302.02</b>	<b>2527.26</b>
<b>Expenses:</b>			
Employee benefits expense	1896.65	493.76	312.22
Finance costs	2049.92	1571.53	1347.28
Depreciation and amortisation	38.62	19.89	13.85
Other expenses	331.17	204.79	151.98
Provision & write offs	339.59	194.24	171.65
<b>Total expenses</b>	<b>4655.95</b>	<b>2484.21</b>	<b>1996.98</b>
<b>Profit / (Loss) for the period before Tax</b>	<b>1058.59</b>	<b>817.81</b>	<b>530.28</b>
- Current tax	389.28	311.46	202.63
- Deferred tax expense/(benefit)	(17.36)	(29.24)	(22.28)
- Prior period taxes	2.46	1.18	0.48
<b>Profit after tax</b>	<b>684.21</b>	<b>534.41</b>	<b>349.45</b>
Impact of the scheme of Amalgamation relating to financial year 2014-15 and 2015-16	14.56	-	-
<b>Profit for the year</b>	<b>698.77</b>	<b>534.41</b>	<b>349.45</b>

5.3 Abridged version of Limited Review Half Yearly Standalone Financial Information (like Profit & Loss statement, and Balance Sheet) and auditors qualifications, if any.

\*Note: Since 'HDB Financial Services' Ltd. does not have any subsidiary, the standalone and consolidated financial information would be the same.

5.4 Any material event/ development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Issuer/promoters, tax litigations resulting in material liabilities, corporate restructuring event etc) at the time of issue which

**may affect the issue or the investor's decision to invest / continue to invest in the debt securities:**

Save as stated elsewhere in this DD, since the date of the last published audited financial accounts, to the best of the Company's knowledge and belief, no material developments have taken place that will materially affect the performance or prospects of the Company.

Details of the Bond trustee(s) are as mentioned above and they have given their consent to act as Bond Trustee to the Issuer for his appointment under regulation 4 (4) and in all the subsequent periodical communications sent to the holders of debt securities

The detailed rating rationale (s) adopted (not older than one year on the date of opening of the issue)/ credit rating letter issued (not older than one month on the date of opening of the issue) by the rating agencies is enclosed as Annexure II.

If the security is backed by a guarantee or letter of comfort or any other document / letter with similar intent, a copy of the same shall be disclosed. In case such document does not contain detailed payment structure (procedure of invocation of guarantee and receipt of payment by the investor along with timelines), the same shall be disclosed in the offer document. **NA**

Copy of consent letter from the Bond Trustee is obtained.

Names of all the recognised stock exchanges where the debt securities are proposed to be listed clearly indicating the designated stock exchange. **On the Wholesale Debt Market (WDM) Segment of the Bombay Stock Exchange**

**Other details**

- a. **DRR creation** - relevant regulations and applicability. Not required for NBFCs pursuant Sec 71 of the Companies Act, 2013, read with Rule 7(b)(i) of the Companies (Share Capital & Debentures) Rules 2014.
- b. **Issue/instrument specific regulations** - relevant details (Companies Act, RBI guidelines, etc). Will be complied with as applicable to the Company from time to time
- c. **Application process** – As mentioned in Clause 7 herein.

## **BUSINESS ORGANISATION**

The Objects for which the Company is established are:

### **A. MAIN OBJECTS OF THE COMPANY TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION ARE:**

1. To carry on the business as a finance company and to provide finance and to provide on lease, leave and license or hire purchase basis or on deferred payment basis or on any other basis all types of plant, equipment, machinery, vehicles, vessels, ships and real estate and any other moveable and immovable properties whether in India or abroad for industrial, commercial or other uses.
2. To carry on the business as investment company and to acquire and hold and otherwise deal in shares, stocks, debentures, debenture-stock, bonds, obligations and securities issued or guaranteed by any company and debentures, debenture-stock, bonds, obligations and securities issued or guaranteed by any government, sovereign ruler, commissioners, public body, or authority supreme, municipal, local or otherwise, landed property, whether in India or elsewhere and to carry on the business of issue house, underwriting, factoring, bills discounting, cross border leasing, merchant banking, issuance of credit cards, consultancy and to undertake and carry on and execute all such operations.
3. To set up companies for the purpose of carrying on the business related to asset management, mutual fund and to act as sponsor or co-sponsor by undertaking financial and commercial obligations required to constitute and/or settle any trust or any undertaking to establish any mutual fund or trust in and/or outside India with the prior approval of the concerned authorities with a view to issue units, stocks, securities, certificates or other documents, based on or representing any or all assets appropriated for the purposes of any such trust and to settle and regulate any such trust and to issue, hold or dispose of any such units, stocks, securities, certificates or other documents.
4. \*\* To carry on the business of labour contractor, recruitment agency, appointment, hiring, seconding and/or supplying manpower, human resources of all types of grades and skills to facilitate, handling, carrying out, processing, managing, controlling, facilitating documentation, documentary services, maintenance, upkeeping and all kinds of services, undertaking and or completion of any works, projects, assignments, contracts, joint ventures.
5. \*\* To carry on business of business process outsourcing agency by providing financial, insurance, technical, information technology, documentary, advisory and other support services and to undertake such activities in the nature of accounting, finance, documentation, banking and other services, including as a call center as may be outsourced by any company, institution, corporation or any other body corporate, whether incorporated or otherwise.
6. \*\* To carry on business of insurance and reinsurance brokers, agents, consultants and advisors or representatives for insurance and reinsurance brokers, agents, consultants and advisors



dealing with all classes of insurance (including life, non-life, general insurance and such other insurance), in all forms, within India and outside India, to provide risk management services in the field of insurance and reinsurance business, to undertake run-off insurance, activities to any of the general insurance companies in any insurance and reinsurance matter, to assist insurance companies and insurance brokers in the matter of arranging inspections, surveys and recovery from any of the parties in respect of the claims and to appoint sub-agents for carrying the activities under this clause,

7. \*\* To carry on business of providing services relating to sourcing, marketing, publicizing, promotions, sales and/or generating leads for sale of financial products and/or services for and/or on behalf of financial institutions, banks and/or finance companies whether incorporated in India or outside India and providing services relating to accounting, data, administration, price support services, door-to-door agents for the collection, receipt or payment of money, market research, market survey, telemarketing services etc. and to act as agent for or render services to customers, finance companies, financial institutions, banks etc. and to act as fund mobilisers and to carry on other activities including those activities covered under clause (n) of sub-section (1) of section 6 of the Banking Regulation Act, 1949 (10 of 1949) to promote the spread of business of banking/ financial services in India or outside India and to appoint sub-agents for carrying the activities under this clause.

8. The Company shall carry on the business of:

- (a) drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrip and other instruments and securities whether transferable or negotiable or not;
- (b) to organize, manage, and operate receivables and remedial management of key assets products (including credit cards) that also includes telecalling customers who have slipped the payment due date, reminder/awareness calls to customers, service calls, managing portfolio through legal means, and payment assistance through field collections and all support and back end documentation assignments;
- (c) buying, selling and dealing in bullion and specie;
- (d) buying and selling of and dealing in foreign exchange including foreign bank notes;
- (e) acquiring, holding, issuing on commission, under writing and dealing in stocks, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds;
- (f) receiving of all kinds of bonds, scrip or valuables on deposit or for safe custody or otherwise; and
- (g) collecting and transmitting of money and all kinds of securities.

\*\*Inserted vide amalgamation of HBL Global Private Limited and Atlas Documentary Facilitators Company Private Limited with HDB Financial Services Limited, approved by the Gujarat High Court and Bombay High Court vide their orders dated September 07, 2016 and September 29, 2016 respectively.

## **MATERIAL CONTRACTS INVOLVING FINANCIAL OBLIGATION**

The contracts referred to below (not being contracts entered into the ordinary course of business carried on by the Company) which are or may be deemed material have been entered into by the Company. Copies of these contracts together with the copies of these documents referred to below may be inspected at the Registered Office of the Company between 10:00 am and 12:00 noon on any working day of the Company.

### **Material Contracts & Documents**

By the very nature of its business, the Company is involved in a large number of transactions involving financial obligations and therefore it may not be possible to furnish details of all material contracts / agreements / documents involving financial obligations of the Company. However, the contracts / agreements / documents listed below which are or may be deemed to be material (not being contracts entered into in the ordinary course of the business carried on by the Issuer, have been entered into / executed by the Company:

#### **A. Documents material to the Issue**

1. Memorandum and Articles of Association of the Company as amended from time to time.
2. Resolution of the Board of Directors passed at its meeting held on April 18, 2017 approving, Inter-alia, the issue of Unsecured Non Convertible Subordinate Bond aggregating upto Rs. 280,00,00,000/- (Rupees Two Hundred Eighty Crore only)
3. Resolution passed by the shareholders at the Annual General Meeting of the Company held on June 23, 2017 ratifying appointment of M/s B S R & Co. LLP, Chartered Accountants as Statutory Auditors of the Company
4. Resolution passed by the shareholders of the Company by way of Postal Ballot, the result of which was announced on June 03, 2017, authorising the Board of Directors to borrow, for the purpose of the Company, upon such terms and conditions as the Board may think fit for amounts up to Rs. 50,000 crores (Rupees Fifty Thousand Crore) under Section 180(1)(c) and creation of charge on the assets of the Company under Section 180(1)(a) of the Companies Act, 2013
5. Resolution passed by the shareholders of the Company at the Annual General Meeting held on June 23, 2017 authorising the Board of Directors to offer, issue and allot Unsecured Redeemable Non-Convertible Subordinated Bonds (Subordinated Bonds) under Subordinate Bond Trust Deed dated July 22, 2016 between IDBI Trustee and the Company in one or more series/tranches, aggregating up to Rs. 500 crore (Rupees Five Hundred Crore only), on private placement basis, on such terms and conditions as the Board of Directors of the Company may, from time to time, determine in the best interests of the Company.
6. Credit Rating Rationale dated September 12, 2017 & June 16, 2017 from CARE & Crisil respectively, assigning the credit rating to the Bonds
7. Tripartite agreement dated July 23, 2012 between the Company, Link Intime India Pvt. Ltd. (Registrar & Transfer Agent) and CDSL
8. Certified true copy of the Tripartite agreement dated July 23, 2012 between the Company, Link Intime India Pvt. Ltd. (Registrar & Transfer Agent) and NSDL

9. Consent letter issued by IDBI Trusteeship Services Limited dated July 22, 2016 to act as the Bond Trustee to the Issue and inclusion of its name in the form and context in which it appears in this Information Memorandum

#### **B. Material Contracts**

10. Collection Services Agreement with HDFC Bank Limited dated November 28, 2011
11. License agreement with HDFC Bank Limited dated January 28, 2014, for right to use HDFC Bank's logo.
12. Debenture Trust Deed & Deed Of Hypothecation executed with IDBI Trusteeship Services Ltd. dated August 3, 2017

Certified true copy of the above documents are available for inspection at the Registered / Corporate Office of the Company until the date of closure of the Issue.

#### **MATERIAL DEVELOPMENT**

Save as stated elsewhere in this Document, since the date of last published audited statement, no material developments have taken place that will materially affect the performance of the prospects of the Company. There are no material events/ developments at the time of issuance of this document which may affect this issue or the investor decision to invest/continue to invest in the debt securities.

#### **DEBT SECURITIES ISSUED FOR CONSIDERATION OTHER THAN CASH, AT PREMIUM OR AT DISCOUNT, IN PURSUANCE OF AN OPTION**

The Company has not issued any debt securities for consideration other than cash, at premium or at discount, in pursuance of an option.

#### **SERVICING BEHAVIOUR OF THE EXISTING DEBTS**

The Company is discharging all its liabilities in time and would continue doing so in future as well. The Company has been paying regular interest and principal amount on redemption.

#### **CONSENT FROM THE EXISTING LENDERS**

The company is not required to obtain any consent from existing lenders.

#### **TERMS PERTAINING TO THE ISSUE**

##### **NATURE & STATUS OF THE BONDS**

The Bonds will be issued in the form of Unsecured Redeemable Non-Convertible Subordinated (Tier II) Bonds in the nature of Bonds. The claims of the investors in Tier II instruments shall be superior to the claims of investors in instruments eligible for inclusion in Tier I capital and subordinate to the claims of all other creditors. In compliance with the guidelines of RBI, these bonds shall not be redeemable at the

initiative of the investor and all redemptions shall be made only with the prior approval of RBI and in accordance with the prevailing guidelines.

#### **OBJECTS OF THE ISSUE**

The present issue of bonds is being made for augmenting the Tier-II Capital of the Company for strengthening its Capital Adequacy and for enhancing the long-term resources of the Company. The Main Object Clause of the Memorandum of Association of the Company enables it to undertake the activities for which the funds are being raised through the present issue and also the activities, which the Company has been carrying on till date. The proceeds of this Tier II issue will be used by the Company for its regular business activities.

Capital Adequacy position of the Company the Capital Adequacy Ratio ("CAR") of the Company as on March 31, 2017 was 20.79% as against the RBI stipulation of 15%. Details of capital vis-à-vis risk weighted assets are as under:

(Rs. In Crores)

Particulars	As on March 31, 2017	As on March 31, 2016	As on March 31, 2015	As on March 31, 2014	As on March 31, 2013
Capital Funds					
Tier I Capital	5037	3336	3017	1536.61	831.63
Tier II Capital	1824	1439	1475	936.97	676.95
Total Capital Fund	6861	4775	4492	2473.59	1508.58
Risk Weighted Asset and Contingents	33001	24827	19515	13441.54	8227.31
Total Capital Adequacy Ratio (%)	20.79	19.23	23.02	18.40	18.34
Tier I Capital Adequacy (%)	15.26	13.44	15.46	11.43	10.11
Tier II Capital Adequacy (%)	5.53	5.79	7.56	6.97	8.23

#### **REQUIREMENT OF ENHANCEMENT OF CAPITAL**

The Company expects to post a growth in business in the years to come. As a result, risk weighted assets of the Company are also expected to increase over the years. The implementation of the Basel II capital adequacy standards could also result in an increase in the risk weighted assets of the Company. Increase in Tier I capital through retained earnings alone may not be sufficient to enable the Company to maintain an adequate capital adequacy ratio. In view of this likely increase in its risk weighted assets, the Company may augment its capital base in order to sustain a healthy CAR by issue of fresh equity shares.

#### **DEBT SECURITIES TO BE ISSUED AND LISTED UNDER CURRENT DOCUMENT**

Under the purview of the current document, the Company is intending to raise an amount aggregating to Rs.130 crores of Unsecured Redeemable Non-Convertible Subordinate Bonds on a Private Placement Basis under Series 2018 I/1/13. The detailed term sheet of the Subordinate Bond Issue is given in para. 6.6.

#### DETAILS OF THE ISSUE SIZE

The Company proposes to issue of 1300 Unsecured Redeemable Non-Convertible Subordinate Bonds of the face value of Rs.10,00,000/- each for cash at par, by way of private placement. The detailed term sheet of the Subordinate Bond Issue is given in para. 6.6.

#### BROAD TERMS OF THE ISSUE OF SUBORDINATE BONDS SERIES 2018 I/1/13

Issuer	HDB Financial Services Limited
Arranger	ICICI Securities Primary Dealership Ltd. & Darashaw & Co. Pvt. Ltd.
Type of Instrument	Unsecured Non Convertible Subordinate Bond
Nature of Instrument	Unsecured
Seniority	Subordinate
Mode of Issue	Private placement
Eligible Investors	Commercial Bank, Co-operative Bank, Regional Rural Bank, Provident Fund, Superannuation Fund or Gratuity Fund, Pension Fund, Mutual Fund, Company, Bodies Corporate, Statutory Corporation, Registered Society, Partnership firm, Hindu Undivided Family ("HUF") Individual, Private trust, Insurance Company, Portfolio Manager or Any other investor permitted to invest in bonds of Indian body corporate.
Listing	Proposed to be listed on the Wholesale Debt Market (WDM) Segment of the BSE Ltd.  In the event that any Bond Holders are Foreign Institutional Investors or sub-accounts of Foreign Institutional Investors, or Qualified Foreign Investors, the Issuer shall get the securities listed on the BSE within 15 days of allotment.  In case of delay in listing of this Tranche beyond 20 (Twenty) days from the deemed date of allotment, the Company will pay penal interest, of 1% (one percent) p.a. over the interest/coupon rate/implicit yield from the expiry of 30 (thirty) days from the deemed date of allotment till the listing of this Tranche, to the investor.
Rating of the Instrument	Credit Analysis & Research Limited (CARE) has assigned a "CARE

	AAA/Stable" (pronounced CARE Triple A with stable outlook) and Crisil Limited has assigned a "CRISIL AAA/Stable" (pronounced CRISIL Triple A with stable outlook), to this long term Bond issue programme of upto Rs.2000 crores, of the Company. Instruments with this rating are considered to have the high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
Issue Size	The aggregate size of the Issue is for Rs.500,00,00,000/- (Rupees Five Hundred Crore only), which Issue shall comprise of one or more Tranches of Bonds, out of which the aggregate size of this Tranche is Rs.130,00,00,000/- (Rupees One Hundred and Thirty Crores only)
Option to retain oversubscription (Amount)	N.A.
Objects of the Issue	Onward lending and/or refinancing of existing borrowings.
Details of the utilization of the Proceeds	The proceeds of the Issue comprising of this Tranche would be utilised by the Company, inter-alia, for disbursements of loans to borrowers, refinancing existing borrowings, augmenting the working capital requirements of the Company, and for the general corporate purposes of the Company.
Step Up/Step Down Coupon Rate	N.A.
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc.).	N.A.
Day Count Basis	Actual/ Actual
Default Interest Rate	In case of default in payment of interest and/or principal redemption on the due dates, additional interest @ 2% (Two percent) p.a. over the applicable coupon rate will be payable by the Company from the date of the occurrence of the default until the default is cured or the bonds are redeemed pursuant to such default, as applicable.
Discount at which security is issued and the effective yield as a result of such discount.	N.A.
Put Option Date	N.A.
Put Option Price	N.A.
Call Option Date	N.A.
Call Option Price	N.A.
Put Notification Time	N.A.
Call Notification Time	N.A.
Rollover Option	N.A.
Face Value	Rs. 10,00,000/- (Rs. Ten Lakh only) per Bond
Minimum Application and in multiples of Debt	Minimum 10 Bonds and in multiples of 10 Bonds thereafter



securities thereafter	
Issuance mode of the Instrument	Demat only
Trading mode of the Instrument	Demat only
Settlement mode of the Instrument	Cheque / Demand Draft / Pay Order / Direct Credit / ECS / NEFT / RTGS / other permitted mechanisms
Depository(ies)	NSDL / CDSL
Business Day	Any day of the week, excluding: i. Sundays ii. Any day which is a public holiday for the purpose of Section 25 of the Negotiable Instruments Act, 1881 (26 of 1881) in Maharashtra iii. any other day on which banks are closed for customer business in Mumbai, India.
Business Day Convention	Should any of the Due date(s), as defined above or elsewhere in this DD or in any Supplemental DD, fall on a non Business Day, the next Business Day shall be considered as the effective date for the purpose of coupon/interest payment and the previous Business Day shall be considered as the effective date for the purpose of payment of redemption proceeds.
Record Date	15 (Fifteen) days prior to any Due Date
Transaction Documents	As per IM
Conditions Precedent to Disbursement	As per the relevant Bond Trust Deed
Condition Subsequent to Disbursement	As per the relevant Bond Trust Deed
Events of Default	As per the relevant Bond Trust Deed
Provisions related to Cross Default Clause	As per the relevant Bond Trust Deed
Covenants	As per the relevant Bond Trust Deed
Role and Responsibilities of Bond Trustee	To oversee and monitor the overall transaction for and on behalf of the Bond Holders as customary for transaction of a similar nature and size and as executed under the appropriate Transaction Documents.
Governing Law and Jurisdiction	The Issue shall be governed by and construed in accordance with Indian Law and the courts of Ahmedabad, Gujarat, India shall have exclusive jurisdiction.
FII Investment	The guideline for FII Investment in Debt Securities issued by RBI on March 1, 2012 vide its circular no.89 will be complied with for listing of the above Bonds.

Note: The Company reserves the right to amend the Tranche timetable including the Date of Allotment

**Sub Debt Series 2018 I/1/13**

Security Name	HDB/8.45%/Annual/2028_Series 2018 I/1/13
Tranche Size	Rs.130,00,00,000/- (Rupees One Hundred & Thirty Crores only)
Issue Price	Rs. 10,00,000/- per Bond
Interest/Coupon Rate	8.45% p.a.
Coupon Type	Annual Coupon
Redemption Premium / Discount	N.A.
Redemption Amount	Rs.10,00,000/- per Bond
Interest on Application Money	8.45% p.a.
Tenor	3652 days from the deemed date of allotment i.e: Wednesday, February 21, 2018
Issue Timing	Tranche Opening Date : Tuesday, February 20, 2018 Tranche Closing Date : Tuesday, February 20, 2018 Pay-in Date : Wednesday, February 21, 2018 Deemed Date of Allotment : Wednesday, February 21, 2018
Redemption Date	Monday, February 21, 2028

**Disclosure of cash flows (pursuant to SEBI Circular no. CIR/IMD/DF/18/2013 dated 29<sup>th</sup> October 2013)**

Company	HDB Financial Services Limited
Face Value (per security)	Rs.10,00,000/- per instrument
Issue Date/Date of Allotment	Wednesday, February 21, 2018
Redemption	Monday, February 21, 2028
Coupon Rate	8.45% p.a.
Frequency of the interest payment with specified dates	Payable Annually, Thursday, February 21, 2019, Friday, February 21, 2020, Sunday, February 21, 2021* Monday, February 21, 2022, Tuesday, February 21, 2023, Wednesday, February 21, 2024, Friday, February 21, 2025, Saturday, February 21, 2026, Sunday, February 21, 2027* and on maturity i.e. Monday, February 21, 2028
Day Count Convention	Actual/Actual

\* Since February 21, 2021 & February 21, 2027 would be falling on a Sunday, interest payment due on that day may be made on the next working day (as per SEBI Circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016). All other interest calculations remaining same.



Cash Flows	Date	Day	No. of Days in Coupon Period	Amount in Rupees per bond of Rs.10 lakhs
1st coupon	February 21, 2019	Thursday	365	84,500.00/-
2nd coupon	February 21, 2020	Friday	365	84,500.00/-
3rd coupon	February 21, 2021	Sunday	366	84,500.00/-
4th coupon	February 21, 2022	Monday	365	84,500.00/-
5th coupon	February 21, 2023	Tuesday	365	84,500.00/-
6th coupon	February 21, 2024	Wednesday	365	84,500.00/-
7th coupon	February 21, 2025	Friday	366	84,500.00/-
8th coupon	February 21, 2026	Saturday	365	84,500.00/-
9th coupon	February 21, 2027	Sunday	365	84,500.00/-
10th coupon	February 21, 2028	Monday	365	84,500.00/-
Principal Repayment	February 21, 2028	Monday	N.A.	10,00,000/-

#### MODE OF PAYMENT

All cheques/drafts/transfers/RTGS must be made payable to "HDB Financial Services Limited". Details for RTGS payments are mentioned herein below:

Name of Bank	HDFC Bank Ltd.
Branch	Fort
IFSC Code	HDFC0000060
Account number	00600310034720
Type of Account	Current
Name of Account	HDB FINANCIAL SERVICES LTD APPLICATION MONEY ACCOUNT
Name of beneficiary	HDB FINANCIAL SERVICES LTD

#### DETAILS OF UTILISATION OF THE ISSUE PROCEEDS

The Company is in the business of lending and the proposed issue is to augment the long-term resources requirement of the Company for its business activities including refinancing the existing debt.

#### **UNDERTAKING TO USE A COMMON FORM OF TRANSFER**

The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these bonds held in electronic form. The seller should give delivery instructions containing detail of the buyer's DP account to his depository participant. The issuer undertakes that there will be common transfer form/ procedure for transfer of bonds.

#### **REDEMPTION AMOUNT, PERIOD OF MATURITY, YIELD ON REDEMPTION FOR THE SUBORDINATE BONDS**

Redemption Amount	Rs. 10,00,000/- per bond
Coupon Rate	The Subordinate Bonds under Series 2018 I/1/13 carry a coupon at a rate of 8.45% p.a. payable annually
Redemption Date	Monday, February 21, 2028
Settlement	Payment of interest and principal will be made by way of cheque(s)/ interest warrant(s)/ demand draft(s)/ credit through RTGS system.

## **OTHER TERMS OF THE ISSUE**

### **(i) FORM**

The Subordinate Bonds to be issued in a dematerialized form which are subject to the provisions of the Depositories Act and the rules notified by NSDL and / or CDSL from time to time.

### **(ii) DEEMED DATE OF ALLOTMENT**

The Subordinate Bonds Series 2018-1/1/13 issued under this Offer document will be allotted on Wednesday, February 21, 2018

### **(iii) INTEREST ON THE COUPON BEARING SUBORDINATE BONDS**

(a) **Interest Rate:** Subordinate Bonds shall carry interest at a fixed coupon rate from the corresponding deemed date of allotment. The interest shall be subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income tax Act, 1961, or any other statutory modification or re-enactment thereof, for which a certificate will be issued by the Company.

(b) **Computation of Interest:** Interest for each of the interest periods shall be computed on an actual days in a year basis on the principal outstanding on the Subordinate Bonds at the coupon rate. However, where the interest period (start date to end date) includes 29<sup>th</sup> February, interest shall be computed on 366 days-a-year basis, on the principal outstanding on the Subordinate Bonds at the coupon rate.

(c) **Payment of Interest:** The interest will be payable to the beneficiaries as per the list of beneficiaries provided by the Depository which includes National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on the record date.

(d) **Default Interest:** All interest on the Subordinate Bonds and all other monies due shall, in case the same is not paid on the respective due dates, carry further additional interest at the rate of 2% per annum computed from the respective due dates and shall become payable upon the footing of compound interest with rests taken half yearly.

### **(iv) INTEREST ON APPLICATION MONEY**

In case of interest on application money, interest at the applicable coupon rate/ implicit yield (subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof for which a certificate will be issued by the Company) will be paid on the application money. Such interest shall be paid from the date of realisation of the cheque(s)/ demand draft(s) up to but not including the deemed date of allotment. The respective interest payment instruments along with the letters of allotment/ refund orders, as the case may be, will be dispatched by registered post to the sole/ first applicant, at the sole risk of the applicant.

#### **(v) TAX DEDUCTION AT SOURCE (TDS)**

No TDS shall be deducted on the interest received as these bonds are issued compulsorily in demat mode. However, in case any Subordinate Bond holder rematerializes the Subordinate Bonds or holds in physical form normal TDS provisions will become applicable

Tax as applicable under the Income Tax Act, 1961 or under any other statutory modification or re-enactment thereof will be deducted at source on coupon payment on Final Redemption/Early Redemption as the case may be. Requisite certificate for tax deducted at source, as contemplated and/or required under the provisions of the Income Tax Act, 1961 from time to time, will be issued to the registered holders of the Subordinate Bonds as per records on the Record Date/Early Redemption Date as applicable. Tax exemption certificate/document (in duplicate), if any must be lodged at the office of the Company or the designated office of the Company prior to the Record date/Early Redemption Date, as applicable.

#### **(vi) TRANSFERABILITY**

The Subordinate Bond issued will be freely transferable and transmittable. The Subordinate Bond issued will be freely transferable and transmittable. The Subordinate Bonds shall be transferable and transmittable in the same manner and to the same extent and be subject to the same restrictions and limitations as in the case of the equity shares of the Company. The provisions relating to transfer and transmission in respect of the shares as provided in the Articles of Association of the Company shall apply mutatis mutandis to the Subordinate Bonds.

#### **(vii) PAYMENT ON REDEMPTION**

Payment of the redemption amount of the Subordinate Bonds will be made by the Company to the beneficiaries as per the beneficiary list provided by the Depository as on the record date. The Subordinate Bonds shall be taken as discharged on payment of the redemption amount by the Company to the beneficiaries as per the beneficiary list. Such payment will be a legal discharge of the liability of the Company towards the Subordinate Bond Holders. On such payment being made, the Company will inform Depository (NSDL/CDSL) and accordingly the account of the Subordinate Bond holders with NSDL/ CDSL will be adjusted. The Company's liability to the Subordinate Bond holder in respect of all their rights including for payment or otherwise shall cease and stand extinguished after maturity in all events save and except the Subordinate Bond Holder's right of redemption as stated above. On the Company dispatching the payment instrument towards payment of the redemption amount as specified above in respect of the Subordinate Bonds, the liability of the Company shall stand extinguished.

**Liquidated damages on defaulted amounts:** In case of default in the redemption of the Subordinate Bonds (under any Series) or default in the payment of interest and all other monies on their respective due dates the Company shall pay on the defaulted amounts, liquidated damages at the rate of 2% per annum for the period of default.

**(viii) EFFECT OF HOLIDAYS**

Should the date of payment of any Coupon which is due in respect of any Tranche of Bonds fall on a day other than a 'Business Day' the immediately succeeding Business Day shall be considered as the effective date(s) for that payment.

In the event that the date of payment of the redemption amounts in respect of any Tranche of Bonds fall on a day other than a 'Business Day', the immediately preceding Business Day shall be considered as the effective date for that payment.

**(ix) LETTER OF ALLOTMENT AND SUBORDINATE BOND CERTIFICATE IN DEMAT MODE**

The Company will make allotment of Subordinate Bonds to investors in due course after verification of the application form, the accompanying documents and on realisation of the application money. The allotted Subordinate Bonds will be credited in dematerialised form within two days of the date of allotment.

**(x) REPLACEMENT OF SUBORDINATE BOND CERTIFICATES**

If the Subordinate Bond (under any of the Series) are issued in physical format, and if the Subordinate Bond Certificate is mutilated or defaced then, upon production thereof to the Company, the Company shall cancel the same and issue a new certificate in lieu thereof. If, any Subordinate Bond Certificate is lost, stolen or destroyed then, upon proof thereof to the satisfaction of the Company and upon furnishing such indemnity as the Company may deem adequate and upon payment of any expenses incurred by the Company in connection with proof of such destruction or theft or in connection with such indemnity, the Company shall issue a new certificate. A fee will be charged by the Company not exceeding a sum of Rs.2/- on each fresh Subordinate Bond Certificate issued hereunder except certificates in replacement of those which are old, decrepit or worn out or defaced or where the cages for recording transfers have been fully utilised.

**xi) RIGHT TO ACCEPT OR REJECT APPLICATIONS**

The Company is entitled at its sole and absolute discretion to accept or reject an application, in part or in full, without assigning any reason thereof. An application form, which is not complete in all respects, shall be liable to be rejected. Any application, which has been rejected, would be intimated by the Company along with a refund warrant.

**(xi) RECORD DATE**

The record date will be atleast 15 days prior to each interest payment/ principal repayment date.

#### **(xii) RIGHT OF COMPANY TO PURCHASE & RE-ISSUE SUBORDINATE BONDS**

The Company will have the power exercisable at its absolute discretion from time to time to purchase some or all of the Subordinate Bonds held by the Subordinate Bond holder at any time prior to the specified date(s) of redemption. Such buy-back of Subordinate Bonds may be at par or at premium/discount to the par value at the sole discretion of the Company. In the event of the Subordinate Bonds being so purchased and/or redeemed before maturity in any circumstances whatsoever, the Company shall have the right to re-issue the Subordinate Bonds under Section 121 of the Companies Act, 1956.

#### **(xiii) FUTURE BORROWINGS**

The Company shall be entitled, from time to time, to make further issue of Subordinate Bonds and or such other instruments to the public, members of the Company and/or avail of further financial and/or guarantee facilities from financial institutions, banks and/or any other person(s) on the security or otherwise of its properties without the consent of Subordinate Bond holders.

#### **(xiv) RIGHTS OF SUBORDINATE BOND HOLDERS**

The Subordinate Bond holder will not be entitled to any rights and privileges of Shareholders other than those available to them under applicable statutory provisions. The Subordinate Bonds shall not confer upon the Subordinate Bond holder the right to receive notice, or to attend and vote at the general meetings of Shareholders of the Company.

#### **(xv) EVENT(S) OF DEFAULT**

**Event(s) of Default** shall have same meaning as is attributed to such term in Clause 4 of the Subordinate Bonds Trust Deed and the consequences of such Event(s) of Default is also been provided in the Trust Deed.

Investors to note that no Event of Default shall occur in relation to payment on due date to the Investors unless such default of payment has not been cured by the Company within 30 (thirty) days of the Company receiving a notice to this effect from the Trustee by making payment to the Investors of an amount equal to the principal amount and accrued interest and the interest at the applicable interest rate for the delayed period and all other amounts due and payable in respect of the Subordinate Bonds to the Investors.

#### **(xvi) TRUSTEES**

IDBI Trusteeship Services Limited, Asian Building, Ground floor, 17 R Kaman Marg, Ballard Estate, Mumbai 400001 has consented to act as the Subordinate Bond Trustee for the holders of the Subordinate Bonds issued under this Offer Document (hereinafter referred to as '**Trustees**' / '**Subordinate Bond Trustee**') The Subordinate Bond holders shall, without any further act or deed, be

deemed to have irrevocably given their consent to the appointment of the Trustees by the Company. The Subordinate Bond-holders shall without further act or deed, also be deemed to have already given their consent to and authorised the Trustees, or any of their Agents or authorised officials to do all such acts, deeds, matters and things in respect of or relating to the Subordinate Bonds as the Trustees may in their absolute discretion deem necessary or required to be done in the interest of the Subordinate Bond-holders. All rights and remedies under the Subordinate Bond Trust Deed(s) shall vest in and be exercised by the Trustees without having it referred to the Subordinate Bond-holders.

#### **(xvii) SUBORDINATE BONDS IN DEMATERIALISED FORM**

The Company has made provisions with National Securities Depository Limited (NSDL) and Central Depository Services Ltd (CDSL) to issue the Subordinate Bonds in dematerialised form to all successful applicants. All provisions relating to issue, allotment, transfer, transmission, etc. in respect of dematerialisation and rematerialisation of the Subordinate Bonds will be as prescribed under the Depositories Act, 1996 and the rules by NSDL/CDSL would be applicable to these Subordinate Bonds.

#### **(xviii) MODIFICATION OF RIGHTS**

The Subordinate Bond holders' rights, privileges, terms and conditions attached to the Subordinate Bonds under any series may be varied, modified or abrogated with the consent, in writing, of those holders of (a) a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is demanded by a majority representing not less than three-fourths in value of the votes cast on such poll; or (b) a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands in relation to a series or if a poll is demanded by a majority representing not less than three-fourths in value of the votes cast on such poll in relation to a series; provided that nothing in such consent or resolution shall be operative against the Company where such consent or resolution modifies or varies the terms and conditions of the Subordinate Bonds which are not acceptable to the Company.

#### **(xix) NOTICES**

The notices to the Subordinate Bond holders required to be given by the Company or the Trustees shall be deemed to have been given if sent by ordinary post or through Courier services to the sole/first allottee or sole/first registered holder of the Subordinate Bonds, as the case may be. All notices to be given by Subordinate Bond holders shall be sent by registered post or by hand delivery to the Company at its Registered Office.

#### **(xx) NOMINEE DIRECTOR**

The Trustees shall have a right to appoint a Nominee on the Board of Directors of the Company (hereinafter referred to as "the Nominee Director") in terms of the SEBI guidelines in the event of:

- a. two consecutive defaults in payment of interest to the bond Holders; or
- b. default in redemption of Subordinate Bonds.

**(xxi) KYC COMPLIANCE**

The applications that do not conform to the KYC Norms issued by Reserve Bank of India for Banks, NBFCs and Financial Institutions are liable for rejection. The documents required to be produced are provided in the application form.



#### **(xxii) SUCCESSION**

In the event of demise of the Subordinate Bond holder, the Company will recognize the executor or administrator of the deceased Subordinate Bond holder, or the holder of succession certificate or other legal representative as having title to the Subordinate Bonds. The Company shall not be bound to recognize such executor, administrator or holder of the succession certificate or other legal representative as having title to the Subordinate Bonds, unless such executor or administrator obtains probate of letter of administration or such holder is the holder of succession certificate or other legal representation, as the case may be, from a competent Court in India having jurisdiction over the matter. The Directors of the Company may, in their absolute discretion, where they think fit, dispense with production of probate or letter of administration or succession certificate or other legal representation, in order to recognise such holder as being entitled to the Subordinate Bonds standing in the name of the deceased Subordinate Bond holder on production of sufficient documentary proof or indemnity.

#### **(xxiii) OPTION TO ISSUE FURTHER SUBORDINATE BONDS**

The Company reserves the option to issue and allot Subordinate Bonds of the Company other than stated in this Document.

#### **(xxiv) GOVERNING LAW**

The Subordinate Bonds are governed by and shall be construed in accordance with the existing Indian laws. Any dispute arising thereof will be subject to the exclusive jurisdiction of the courts in the city of Ahmedabad.

#### **(xxv) UNDERTAKING BY THE COMPANY**

The Company hereby undertakes that:

- (i) the complaints received in respect of the Issue shall be attended to expeditiously and satisfactorily.
- (ii) that all steps for completion of the necessary formalities for listing and commencement of trading at the stock exchange where the securities are to be listed are taken within seven working days of finalisation of date of allotment.
- (iii) that the Company shall forward the details of utilisation of the funds raised through the Subordinate Bonds duly certified by the Statutory Auditors, to the Subordinate Bond Trustees at the end of each half-year.
- (iv) that the Company shall disclose the complete name and address of the Subordinate Bond Trustee in its Annual Report.
- (v) such other undertakings / covenants as provided in the Trust Deed.

(v) that the Company shall provide a compliance certificate to the Subordinate Bond Trustees (on yearly basis) in respect of compliance with the terms and conditions of issue of Subordinate Bonds as contained in this Document.

(vii) that necessary cooperation with the credit rating agencies shall be extended in providing true and adequate information till the debt obligations in respect of the Instrument are outstanding.

**(xxvi) DISCOUNT ON THE OFFER PRICE**

The Subordinate Bonds are issued for cash at par and not at discount to offer price

**(xxvii) DEBT EQUITY RATIO**

	Post issue	Pre issue	FY 2016-17	FY 2015-16	FY 2014-15
Debt equity ratio	5.52	5.49	4.9	5.51	4.89

**(xxviii) PERMISSION AND CONSENT FROM THE CREDITORS**

The Subordinate Bond Trustee shall in future provide consent to the Company to create pari-passu charge for and on behalf of the Subordinate Bond holders.

**(xxix) RATING RATIONALE ADOPTED BY RATING AGENCIES**

Copy of letter from CARE Ratings dated 19/02/2018 assigning CARE AAA and letter dated 15/02/2018 assigning CRISIL AAA/Stable by CRISIL for the Subordinate Bonds issued/to be issued by the Company under this document. The rating rationale is attached as Annexure II.

**(xxx) LISTING OF SUBORDINATE BONDS**

The Company shall get the Subordinate Bonds listed on the Wholesale Debt Market (WDM) segment of the Bombay Stock Exchange Limited.

**(xxxi) SUBORDINATE BOND TRUST DEED**

The Subordinate Bonds to be issued under the terms of this Information memorandum shall be governed by the terms of the Subordinate Bond Trust Deed dated July 22, 2016 executed by and between the Company and the Subordinate Bond Trustee. A copy of the Subordinate Bond trustee deed is available with the Subordinate Bond trustee at its office in Mumbai. The Company confirms that the present issue

of Subordinate Bonds being first Series is within the overall limit of Rs. 500 Crores as fixed under the Subordinate Bond Trust Deed.

**(xxviii) BONDS FREE FROM EQUITIES**

The Subordinate Bondholders will be entitled to their Bonds free from equities or cross claims by the Company against the original or any intermediate holders thereof.

**(xxix) BONDHOLDERS NOT ENTITLED TO SHAREHOLDERS' RIGHTS**

The Subordinate Bondholders will not be entitled to any of the rights and privileges available to the shareholders including right to receive notices of or to attend and vote at General Meetings or to receive Annual Reports of the Company.

If, however, any resolution affecting the rights attached to the Subordinate Bonds is placed before the shareholders, such resolution will first be placed before the Bondholders for their consideration

**(xxxii) SENIORITY OF CLAIM**

The claims of the investor in Tier 2 Bonds shall be:

- a) Superior to the claims of investors in instrument eligible for inclusion in Tier 1 capital, and
- b) Subordinate to the claims of all other creditors

## **APPLICATION PROCESS**

### **HOW TO APPLY**

The Issue will open on the issue opening date and close on the issue closing date (both days inclusive) as stated herein below. Potential investors who wish to invest in the Issue are requested to submit an application for the Subordinate Bonds with all the accompanying documents and the application money at any time starting from the issue opening date and upto the issue closing date. The Company shall pay interest on the application money at the rate to be set out herein. On the issue closing date, the cut-off time for submitting the application alongwith the accompanying documents and the application money is 10:00 a.m. if application money is paid through high-value cheques or 2:00 pm, if application money is credited through RTGS.

Applications for the Subordinate Bonds must be made in the Application Form and must be completed in block letters in English by investors. Application Forms must be accompanied by either a demand draft or cheque or electronic transfer drawn or made payable in favour of "HDB Financial Services Limited" and should be crossed "Account Payee only" / or if by RTGS, the details of which are mentioned herein below. The full amount of the Face Value applied for has to be paid along with the delivery of the fully completed and executed Application Form together with other applicable documents described below.

Cheques/demand drafts/electronic transfer may be drawn on any scheduled bank and payable at Mumbai. The Company assumes no responsibility for any applications/cheques/demand drafts lost in mail or in transit.

### **WHO CAN APPLY?**

Nothing in this Information Memorandum/Disclosure Document shall constitute and/or deem to constitute an offer or an invitation to an offer, to be made to the Indian public or any section thereof through this Information Memorandum/Disclosure Document, and this Information Memorandum/Disclosure Document and its contents should not be construed to be a prospectus under the Companies Act. In order to subscribe to the Subordinate Bonds a person must be either a:

- (a) Commercial Bank,
- (b) Co-operative Bank,
- (c) Regional Rural Bank,
- (d) Provident Fund, Superannuation Fund or Gratuity Fund,
- (e) Pension Fund
- (f) Mutual Fund,
- (g) Company, Bodies Corporate, Statutory Corporation,
- (h) Registered Society,
- (i) Partnership firm,
- (j) Hindu Undivided Family ("HUF")
- (k) Individual,
- (l) Private trust,
- (m) Insurance Company,
- (n) Portfolio Manager or

(a) Any other investor permitted to invest in Subordinate Bonds of Indian body corporate.

This Information Memorandum/Disclosure Document and the contents hereof are restricted for only the intended recipient(s) who have been addressed directly through a communication by or on behalf of the Company and only such recipients are eligible to apply for the Subordinate Bonds. All investors are required to comply with the relevant regulations/guidelines applicable to them for investing in this Issue.

#### **Application by Banks/ Corporate Bodies/ Mutual Funds/ Financial Institutions/ Trusts/ Statutory Corporations**

The applications must be accompanied by certified true copies of (i) memorandum and articles of association/constitution/bye-laws/trust deed; (ii) resolution authorizing investment and containing operating instructions; (iii) specimen signatures of authorized signatories; and (iv) necessary form for claiming exemption from on interest on application money. Application made by an Asset Management Company or custodian of Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

#### **Application by Partnership Firm**

The applications must be accompanied by certified copies of (i) the PAN Card of the partnership firm; (ii) copy of the partnership deed; (iii) the photo identity proof like Passport / PAN Card / Driving License, etc. of the partner(s) signing the Application Form and specimen signatures of authorised signatories; and (iv) an authority letter from all partners authorizing such investment.

#### **Application by HUF**

The applications must be accompanied by certified copies of the PAN Card of the HUF, the photo identity proof like Passport / PAN Card / Driving License, etc. of the Karta of the HUF, telephone bill/electricity bill/bank account statement, etc. and an HUF declaration from the Karta and co-parcenars authorizing such investment.

#### **Application by Individual**

The applications must be accompanied by certified copies of photo identity proof like Passport / PAN Card / Driving License, telephone bill/electricity bill/bank account statement, etc.

#### **Application under Power of Attorney**

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signatures of all authorised signatories must be lodged along with the submission of the completed Application Form. Further, modifications/additions in the power of attorney or authority should be delivered to the Company at its Registered Office.

### Submission of completed Application Form

All applications duly completed accompanied by account payee cheques/drafts/application money/transfer instructions from the respective investor's account to the account of /favouring the Issuer shall be submitted at the Corporate Office of the Issuer being Ground Floor, Zenith House, Keshavrao Khadye Marg, Opp. Race Course, Mahalaxmi, Mumbai – 400034

### ISSUE PROGRAMME

ISSUE OPENING DATE	Tuesday, February 20, 2018
ISSUE CLOSING DATE	Tuesday, February 20, 2018
DEEMED DATE OF ALLOTMENT	Wednesday, February 21, 2018

The Company reserves the right to change the Issue programme, including the Deemed Date of Allotment, at its sole discretion, without giving any reasons or prior notice. Subordinate Bonds will be open for subscription at the commencement of banking hours and close at the close of banking hours on the dates specified in this Information Memorandum/Disclosure Document/Term Sheet.

### MODE OF PAYMENT

All cheques/drafts/transfers/RTGS must be made payable to "HDB Financial Services Limited". Details for RTGS payments are mentioned herein below:

Name of Bank	HDFC Bank Ltd
Branch	Fort
IFSC Code	HDFC0000060
Account number	00600310034720
Type of Account	Current
Name of beneficiary	HDB Financial Services Limited
Name of Account	HDB FINANCIAL SERVICES LTD APPLICATION MONEY ACCOUNT

### PROCEDURE AND TIME OF SCHEDULE FOR ALLOTMENT

On the Subordinate Bonds being subscribed under this issue or any of the Series, the Subordinate Bonds would be Allotted by such persons as are authorized by the Board from time to time by way of a Letter of Allotment. The Company will execute and dispatch/credit to the Depository Participant account of the Allottee, in favour of the Allottees such Letter of Allotment or refund letter along with refund amount, not later than 7 (Seven) Business Days after receipt of completed Application Form or the Date of Allotment, whichever is later.

After completion of all legal formalities, the Company will issue the Subordinate Bonds certificate(s)/credit the DP account of the Allottees against surrender of the Letter(s) of Allotment within three month(s) of the Date of Allotment or such extended period, subject to obtaining the approvals, if any.

#### **BASIS OF ALLOTMENT**

The Company has the sole and absolute right to allot the Subordinate Bonds to any applicant.

#### **RIGHT TO ACCEPT OR REJECT APPLICATIONS**

The Company is entitled at its sole and absolute discretion to accept or reject any application, in part or in full, without assigning any reason. Application Forms that are not complete in all respects shall be rejected at the sole and absolute discretion of the Company.

#### **DISPATCH OF REFUND ORDERS**

The Company shall ensure dispatch of refund orders by registered post.

#### **LOSS OF INTEREST CHEQUES/REFUND CHEQUES**

Loss of interest cheques/refund cheques should be intimated to the Company along with request for duplicate issue. The issue of duplicates in this regard shall be governed by applicable law and any other conditions as may be prescribed by the Company.

**DISCLAIMER: PLEASE NOTE THAT ONLY THOSE PERSONS TO WHOM THIS MEMORANDUM HAS BEEN SPECIFICALLY ADDRESSED ARE ELIGIBLE TO APPLY. HOWEVER, AN APPLICATION, EVEN IF COMPLETE IN ALL RESPECTS, IS LIABLE TO BE REJECTED WITHOUT ASSIGNING ANY REASON FOR THE SAME. THE LIST OF DOCUMENTS PROVIDED ABOVE IS ONLY INDICATIVE, AND AN INVESTOR IS REQUIRED TO PROVIDE ALL THOSE DOCUMENTS / AUTHORIZATIONS / INFORMATION, WHICH ARE LIKELY TO BE REQUIRED BY THE COMPANY. THE COMPANY MAY, BUT IS NOT BOUND TO REVERT TO ANY INVESTOR FOR ANY ADDITIONAL DOCUMENTS / INFORMATION, AND CAN ACCEPT OR REJECT AN APPLICATION AS IT DEEMS FIT. INVESTMENT BY INVESTORS FALLING IN THE CATEGORIES MENTIONED ABOVE ARE MERELY INDICATIVE AND THE COMPANY DOES NOT WARRANT THAT THEY ARE PERMITTED TO INVEST AS PER EXTANT LAWS, REGULATIONS, ETC. EACH OF THE ABOVE CATEGORIES OF INVESTORS IS REQUIRED TO CHECK AND COMPLY WITH EXTANT RULES/REGULATIONS/ GUIDELINES, ETC. GOVERNING OR REGULATING THEIR INVESTMENTS AS APPLICABLE TO THEM AND THE COMPANY IS NOT, IN ANY WAY, DIRECTLY OR INDIRECTLY, RESPONSIBLE FOR ANY STATUTORY OR REGULATORY BREACHES BY ANY INVESTOR, NEITHER IS THE COMPANY REQUIRED TO CHECK OR CONFIRM THE SAME.**



## **RISK FACTORS**

### **PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THESE KEY RISKS ASSOCIATED WITH THE SUBORDINATE BONDS**

#### **General**

The Subordinate Bonds are sophisticated instruments which involve a significant degree of risk and are intended for sale only to those investors capable of understanding the risks involved in such instruments. Do note that both the return on the Subordinate Bonds and the return of the principal amount in full are at risk if the Subordinate Bonds are not held till or for any reason have to be sold or redeemed before the Redemption Date. The Subordinate Bonds are a principal protected product only upon maturity.

The Subordinate Bonds are structured and are complex and an investment in such a structured product may involve a high risk of loss of a part of the initial investment as compared to investment in other securities unless held till redemption date. The investor shall receive at least the face value of the Subordinate Bond only if the investor holds and is able to hold the Subordinate Bonds till the redemption date. Prior to investing in the Subordinate Bonds, a prospective investor should ensure that such prospective investor understands the nature of all the risks associated with the investment in order to determine whether the investment is suitable for such prospective investor in light of such prospective investor's experience, objectives, financial position and other relevant circumstances. Prospective investors should independently consult with their legal, regulatory, tax, financial and/or accounting advisors to the extent the prospective investor considers necessary in order to make their own investment decisions.

The Company believes that the following factors may affect its ability to fulfill its obligations in respect of the Subordinate Bonds. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring. The Company believes that the factors described below represent the principal risks inherent in investing in the Subordinate Bonds, but the inability of the Company, as the case may be, to pay principal or other amounts on or in connection with any Subordinate Bonds may occur for other reasons and the Company does not represent that the statements below regarding the risks of holding any Subordinate Bonds are exhaustive. Potential investors should perform their own independent investigation of the financial condition and affairs of the Company, and their own appraisal of the creditworthiness of the Company. Potential investors should consult their own financial, legal, tax and other professional advisors as to the risks and investment considerations with respect to the Subordinate Bonds. Potential investors should thereafter reach their own views prior to making any investment decision.

#### **Credit Risk**

Prospective investors should be aware that receipt of any coupon payment and principal amount at maturity on the Subordinate Bonds is subject to the credit risk of the Issuer. Investors assume the risk that the Company will not be able to satisfy its obligations under the Subordinate Bonds. Any stated



credit rating of the Company reflects the independent opinion of the rating agency as to the creditworthiness of the rated entity but is not a guarantee of credit quality of the Company. Any downgrading of the credit ratings of the Company or its parent or affiliates, by any rating agency could result in a reduction in the value of the Subordinate Bonds. In the event that bankruptcy proceedings or composition, scheme of arrangement or similar proceedings to avert bankruptcy are instituted by or against the Company, the payment of sums due on the Subordinate Bonds may be substantially reduced, delayed or lost. The holding company or the other group companies of the Issuer are not entitled to and will not support the Issuer in case of any bankruptcy of the Issuer.

#### **Purchases and sales by the Company and its affiliates may affect the Subordinate Bond Holders' return**

The Company and its affiliates may from time to time buy or sell the Subordinate Bonds or debt instruments similar to the Subordinate Bonds and/or other obligations or have positions in securities economically related to a series of Subordinate Bonds for their own account for business reasons or in connection with hedging of the obligations under the particular series of Subordinate Bonds. These transactions could affect the price of such obligations or securities in a manner that would be adverse to the holder's investment in the Subordinate Bonds. The Company and its affiliates have not considered, and are not required to consider, the interests of investors as holders of the Subordinate Bonds in connection with entering into any of the above mentioned transactions.

#### **The secondary market for the Subordinate Bonds may be non-existent or the Subordinate Bonds may be illiquid.**

The Subordinate Bonds may be very illiquid and no secondary market may develop in respect thereof. Even if there is a secondary market for the Subordinate Bonds, it is not likely to provide significant liquidity. An illiquid market may have an adverse impact on the price at which the Subordinate Bonds may be sold in the secondary market. Any such Subordinate Bond so purchased may be required to be held or resold or surrendered for cancellation. To the extent that an issue of Subordinate Bonds becomes illiquid, an Investor may have to hold the Subordinate Bond until redemption to realize value.

#### **Tax Considerations and Legal Considerations**

Special tax considerations and legal considerations may apply to certain types of potential investors. Potential investors are urged to consult with their own financial, legal, tax and other professional advisors to determine any financial, legal, tax and other implications of this investment.

#### **Accounting Considerations**

Special accounting considerations may apply to certain types of taxpayers. Potential investors are urged to consult with their own accounting advisors to determine implications of this investment.

**Our business requires substantial capital, and any disruption in funding sources would have a material adverse effect on our liquidity and financial condition.**

As a finance company, our liquidity and ongoing profitability are, in large part, dependent upon our timely access to, and the costs associated with, raising capital. Our funding requirements historically have been met from a combination of term loans from banks and financial institutions, issuance of redeemable non-convertible debentures, the issue of subordinated bonds and commercial paper. Thus, our business depends and will continue to depend on our ability to access diversified funding sources. Our ability to raise funds on acceptable terms and at competitive rates continues to depend on various factors including our credit ratings, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/or lenders' perception of demand for debt and equity securities of NBFCs, and our current and future results of operations and financial condition.

Changes in economic and financial conditions or continuing lack of liquidity in the market could make it difficult for us to access funds at competitive rates. As an NBFC, we also face certain restrictions on our ability to raise money from international markets which may further constrain our ability to raise funds at attractive rates.

Such conditions may occur again in the future and may lead to a disruption in our primary funding sources at competitive costs and would have a material adverse effect on our liquidity and financial condition.

**High levels of customer defaults could adversely affect our business, financial condition and results of operations.**

Our business involves lending money and accordingly we are subject to customer default risks including default or delay in repayment of principal or interest on our loans. Customers may default on their obligations to us as a result of various factors including bankruptcy, lack of liquidity, lack of business and operational failure. If borrowers fail to repay loans in a timely manner or at all, our financial condition and results of operations will be adversely impacted.

**Our entire customer base comprises individual and/or small enterprise segment borrowers, who generally are more likely to be affected by declining economic conditions than larger corporate borrowers.**

Individual and small enterprise segment borrowers generally are less financially resilient than larger corporate borrowers, and, as a result, they can be more adversely affected by declining economic conditions. In addition, a significant majority of our customer base belongs to the low to medium income group and/or the small enterprises finance sector. Furthermore, unlike several developed economies, a nationwide credit bureau has only recently become operational in India, so there is less financial information available about individuals, particularly our focus customer segment from the low to medium income group who typically have limited access to other financing sources. It is therefore

difficult to carry out precise credit risk analyses on our customers. Although we believe that our risk management controls are sufficient, we cannot be certain that they will continue to be sufficient or that additional risk management policies for individual borrowers will not be required. Failure to maintain sufficient credit assessment policies, particularly for individual borrowers, could adversely affect our credit portfolio which could have a material and adverse effect on our results of operations and financial condition.

**We face increasing competition in our business which may result in declining margins if we are unable to compete effectively.**

We face competition in all our lines of businesses. Our primary competitors are other NBFCs, public sector banks, private sector banks, co-operative banks and foreign banks and the unorganized financiers who principally operate in the local markets. Over the past few years, the retail financing area has seen the entry of banks, both nationalized as well as foreign. Banks have access to low cost funds which enables them to enjoy higher margins and / or offer finance at lower rates. NBFCs do not have access to large quantities of low cost deposits, a factor which can render them less competitive. In addition, interest rate deregulation and other liberalization measures affecting the retail and small enterprises finance sector, together with increased demand for capital by individuals as well as small enterprises, have resulted in an increase in competition.

All of these factors have resulted in us facing increased competition from other lenders in each of our lines of businesses, including commercial banks and other NBFCs. Our ability to compete effectively will depend, to some extent, on our ability to raise low-cost funding in the future. Furthermore, as a result of increased competition in the finance sector, finance products are becoming increasingly standardized and variable interest rate and payment terms and lower processing fees are becoming increasingly common in the finance sector in India. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive finance industry. Increasing competition may have an adverse effect on our net interest margin and other income, and, if we are unable to compete successfully, our market share may decline.

If we are unable to compete effectively with other participants in the finance sector, our business, future financial performance and the trading price of the Subordinated Bonds may be adversely affected.

**If we are unable to manage the level of NPAs in our Loan Assets, our financial position and results of operations may suffer.**

If the level of NPAs in the Company's portfolio were to increase, its business would suffer. The Company had net NPAs as a percentage of net loan assets were 0.85% and 0.72% as of March 31, 2017 and March 31, 2016, respectively and its provisioning norms comply with the RBI guidelines / directives. The Company believes that its overall financial profile, capitalization levels and risk management systems, provide significant risk mitigation. However, the occurrence of NPAs or an increase in the level of NPAs will adversely affect the Company's business, financial results and/or operations.

Furthermore, our current provisions may not be adequate when compared to the loan portfolios of other financial institutions. Moreover, there also can be no assurance that there will be no further deterioration in our provisioning coverage as a percentage of Gross NPAs or otherwise, or that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of NPAs. In the event of any further deterioration in our NPA portfolio, there could be an even greater, adverse impact on our results of operations.

**A decline in our capital adequacy ratio could restrict our future business growth.**

As per RBI notification dated February 17, 2011, all non deposit taking NBFCs have to maintain a minimum capital adequacy ratio, consisting of Tier I and Tier II capital, which shall not be less than 15.00% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items w.e.f. March 31, 2014. Our capital adequacy ratio computed on the basis of applicable RBI requirements was 20.79 % as of March 31, 2017, with Tier I capital comprising 15.26%. If we continue to grow our loan portfolio and asset base, we will be required to raise additional Tier I and Tier II capital in order to continue to meet applicable capital adequacy ratios with respect to our business. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favorable to us or at all and this may adversely affect the growth of our business.

**We face asset-liability mismatches which could affect our liquidity and consequently may adversely affect our operations and profitability.**

We face potential liquidity risks due to varying periods over which our assets and liabilities mature. As is typical for NBFCs, a portion of our funding requirements is met through short-term funding sources such as bank loans, working capital demand loans, cash credit, short term loans and commercial papers. However, each of our products differs in terms of the average tenor, average yield, average interest rates and average size of loan. The average tenor of our products may not match with the average tenor of our liabilities. Consequently, our inability to obtain additional credit facilities or renew our existing credit facilities, in a timely and cost-effective manner or at all, may lead to mismatches between our assets and liabilities, which in turn may adversely affect our operations and financial performance. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers.

**System failures or inadequacy and security breaches in computer systems may adversely affect our business.**

Our business is increasingly dependent on our ability to process, on a daily basis, a large number of transactions. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are wholly or partially beyond our control including a disruption of electrical or communications services. Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available to and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security. Any failure to effectively maintain or improve or upgrade our management information systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the localities in which we are located.

**We may not be able to maintain our current levels of profitability due to increased costs or reduced spreads.**

Our business strategy involves a relatively high level of ongoing interaction with our customers. We believe that this involvement is an important part of developing our relationship with our customers, identifying new cross-selling opportunities and monitoring our performance. However, this level of involvement also entails higher levels of costs and also requires a relatively higher gross spread, or margin, on the finance products we offer in order to maintain profitability. There can be no assurance that we will be able to maintain our current levels of profitability if the gross spreads on our finance products were to reduce substantially, which could adversely affect our results of operations.

The Company has disclosed its unaudited financial results for the half year ended September 30, 2017, in published in accordance with Listing Regulations 2015 which were subjected to the limited review report by the statutory auditors of the company. The aforesaid financial results and limited review report are available for inspection.

**We are subject to supervision and regulation by the RBI as a non-deposit-taking NBFC, and changes in RBI's regulations governing us could adversely affect our business.**



We are subject to the RBI's guidelines on financial regulation of NBFCs, including capital adequacy, exposure and other prudential norms. The RBI also regulates the credit flow by banks to NBFCs and provides guidelines to commercial banks with respect to their investment and credit exposure norms for lending to NBFCs. The RBI's regulations of NBFCs could change in the future which may require us to restructure our activities, incur additional costs or could otherwise adversely affect our business and our financial performance.

**Civil unrest, terrorist attacks and war would affect our business.**

Terrorist attacks and other acts of violence, war or conflicts, particularly those involving India, as well as the United States of America, the United Kingdom, Singapore and the European Union, may adversely affect Indian and global financial markets. Such acts may negatively impact business sentiment, which could adversely affect our business and profitability. India has from time to time experienced and continues to experience, social and civil unrest, terrorist attacks and hostilities with neighbouring countries. Also, some of India's neighbouring countries have experienced or are currently experiencing internal unrest. This, in turn, could have a material adverse effect on the Indian economy and in turn may adversely affect our operations and profitability and the market for the Subordinate Bonds.

**Our business may be adversely impacted by natural calamities or unfavourable climatic changes.**

*India, Bangladesh, Pakistan, Indonesia, Japan and other Asian countries have experienced natural calamities such as earthquakes, floods, droughts and a tsunami in recent years. Some of these countries have also experienced pandemics, including the outbreak of avian flu. These economies could be affected by the extent and severity of such natural disasters and pandemics which could, in turn affect the financial services sector of which our Company is a part. Prolonged spells of abnormal rainfall, draught and other natural calamities could have an adverse impact on the economy, which could in turn adversely affect our business and the price of our Subordinate Bonds.*

**Any downgrading of India's sovereign rating by an international rating agency (ies) may affect our business and our liquidity to a great extent.**

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional finances at favourable interest rates and other commercial terms. This could have an adverse effect on our growth, financial performance and our operations.

**Dispute Resolution**

A Party shall not commence court proceedings (except proceedings seeking interlocutory relief) in respect of a dispute arising out of this Information Memorandum unless it has complied with this Clause.

A Party claiming that a dispute has arisen in relation to this Information Memorandum shall notify the authorised representative of the other Party to the dispute giving details of the dispute and shall try to settle the same amicably.

If any dispute under this Information Memorandum remains unresolved for 5 Business Days from the date on which notice setting out the nature of the dispute is served by one Party on the other, either Party may request a meeting within a further 5 Business Days between senior personnel (as notified by each Party to the other for this purpose) who shall have power to resolve the dispute.

In the event the Parties are not able to amicably resolve and settle the disputes/ differences under the procedure mentioned above, the dispute / difference shall be referred to the arbitration by a single arbitrator to be jointly appointed. In the event the Parties fail to concur in appointing the sole arbitrator, the arbitrator shall be appointed in accordance with the provisions of the Arbitration & Conciliation Act, 1996. The arbitration shall be conducted in accordance with the Arbitration & Conciliation Act, 1996 for the time being in force or any statutory modification or re-enactment thereof. The place of Arbitration shall be in Ahmedabad, Gujarat. The language of the Arbitration shall be English. The award of the arbitrator shall be final and binding upon the Parties herein.

#### **SUMMARY TERM SHEET**

Summary term sheet shall be provided which shall include at least following information (where relevant) pertaining to the unsecured non convertible debt securities (or a series thereof):-

Issuer	HDB Financial Services Limited
Arranger	ICICI Securities Primary Dealership Ltd. & Darashaw & Co. Pvt. Ltd.
Type of Instrument	Unsecured Non Convertible Subordinate Bond
Nature of Instrument	Unsecured
Seniority	Subordinate
Mode of Issue	Private placement
Eligible Investors	Commercial Bank, Co-operative Bank, Regional Rural Bank, Provident Fund, Superannuation Fund or Gratuity Fund, Pension Fund Mutual Fund, Company, Bodies Corporate, Statutory Corporation, Registered Society, Partnership firm, Hindu Undivided Family ("HUF") Individual, Private trust,

	Insurance Company, Portfolio Manager or Any other investor permitted to invest in bonds of Indian body corporate.
Listing	Proposed to be listed on the Wholesale Debt Market (WDM) Segment of the BSE Ltd.  In the event that any Bond Holders are Foreign Institutional Investors or sub-accounts of Foreign Institutional Investors, or Qualified Foreign Investors, the Issuer shall get the securities listed on the BSE within 15 days of allotment.  In case of delay in listing of this Tranche beyond 20 (Twenty) days from the deemed date of allotment, the Company will pay penal interest, of 1% (one percent) p.a. over the interest/coupon rate/implicit yield from the expiry of 30 (thirty) days from the deemed date of allotment till the listing of this Tranche, to the investor.
Rating of the Instrument	Credit Analysis & Research Limited (CARE) has assigned a "CARE AAA" (pronounced "CARE Triple AAA") and Crisil Limited has assigned a "CRISIL AAA/Stable" (pronounced "CRISIL Triple A with stable outlook), to this long term Bond issue programme of upto Rs.2000 crores, of the Company. Instruments with this rating are considered to have the high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
Issue Size	The aggregate size of the Issue is for Rs.500,00,00,000/- (Rupees Five Hundred Crore only), which Issue shall comprise of one or more Tranches of Bonds, out of which the aggregate size of this Tranche is Rs.130,00,00,000/- (Rupees One Hundred and Thirty Crores only)
Option to retain oversubscription (Amount)	N.A.
Objects of the Issue	Onward lending and/or refinancing of existing borrowings.
Details of the utilization of the Proceeds	The proceeds of the Issue comprising of this Tranche would be utilised by the Company, inter-alia, for disbursements of loans to borrowers, refinancing existing borrowings, augmenting the working capital requirements of the Company, and for the general corporate purposes of the Company.
Step Up/Step Down Coupon Rate	N.A.
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc.).	N.A.
Day Count Basis	Actual/ Actual
Default Interest Rate	In case of default in payment of interest and/or principal redemption on



	the due dates, additional interest @ 2% (Two percent) p.a. over the applicable coupon rate will be payable by the Company from the date of the occurrence of the default until the default is cured or the bonds are redeemed pursuant to such default, as applicable.
Discount at which security is issued and the effective yield as a result of such discount.	N.A.
Put Option Date	N.A.
Put Option Price	N.A.
Call Option Date	N.A.
Call Option Price	N.A.
Put Notification Time	N.A.
Call Notification Time	N.A.
Rollover Option	N.A.
Face Value	Rs. 10,00,000/- (Rs. Ten Lakh only) per Bond
Minimum Application and in multiples of — Debt securities thereafter	Minimum 10 Bonds and in multiples of 10 Bonds thereafter
Issuance mode of the Instrument	Demat only
Trading mode of the Instrument	Demat only
Settlement mode of the Instrument	Cheque / Demand Draft / Pay Order / Direct Credit / ECS / NEFT / RTGS / other permitted mechanisms
Depository(ies)	NSDL / CDSL
Business Day	Any day of the week, excluding: i. Sundays ii. Any day which is a public holiday for the purpose of Section 25 of the Negotiable Instruments Act, 1881 (26 of 1881) in Maharashtra iii. any other day on which banks are closed for customer business in Mumbai, India.
Business Day Convention	Should any of the Due date(s), as defined above or elsewhere in this DD or in any Supplemental DD, fall on a non Business Day, the next Business Day shall be considered as the effective date for the purpose of coupon/interest payment and the previous Business Day shall be considered as the effective date for the purpose of payment of redemption proceeds.
Record Date	15 (Fifteen) days prior to any Due Date
Transaction Documents	As per IM
Conditions Precedent to Disbursement	As per the relevant Bond Trust Deed
Condition Subsequent to Disbursement	As per the relevant Bond Trust Deed

Events of Default	As per the relevant Bond Trust Deed
Provisions related to Cross Default Clause	As per the relevant Bond Trust Deed
Covenants	As per the relevant Bond Trust Deed
Role and Responsibilities of Bond Trustee	To oversee and monitor the overall transaction for and on behalf of the Bond Holders as customary for transaction of a similar nature and size and as executed under the appropriate Transaction Documents.
Governing Law and Jurisdiction	The Issue shall be governed by and construed in accordance with Indian Law and the courts of Ahmedabad, Gujarat, India shall have exclusive jurisdiction.
FII Investment	The guideline for FII Investment in Debt Securities issued by RBI on March 1, 2012 vide its circular no.89 will be complied with for listing of the above Bonds.

Note: The Company reserves the right to amend the Tranche timetable including the Date of Allotment.

#### **Sub Debt Series 2018 I/1/13**

Security Name	HDB/8.45%/Annual/2028_ Series 2018 I/1/13
Tranche Size	Rs.130,00,00,000/- (Rupees One Hundred & Thirty Crores only)
Issue Price	Rs. 10,00,000/- per Bond
Interest/Coupon Rate	8.45% p.a.
Coupon Type	Annual Coupon
Redemption Premium / Discount	N.A.
Redemption Amount	Rs.10,00,000/- per Bond
Interest on Application Money	8.45% p.a.
Tenor	3652 days from the deemed date of allotment i.e. Wednesday, February 21, 2018
Issue Timing	Tranche Opening Date : Tuesday, February 20, 2018 Tranche Closing Date : Tuesday, February 20, 2018 Pay-in Date : Wednesday, February 21, 2018 Deemed Date of Allotment : Wednesday, February 21, 2018
Redemption Date	Monday, February 21, 2028

Disclosure of cash flows (pursuant to SEBI Circular no. CIR/IMD/DF/18/2013 dated 29<sup>th</sup> October 2013)

Company	HDB Financial Services Limited
Face Value (per security)	Rs.10,00,000/- per instrument
Issue Date/Date of Allotment	Wednesday, February 21, 2018
Redemption	Monday, February 21, 2028
Coupon Rate	8.45% p.a.
Frequency of the interest payment with	Payable Annually,

specified dates	Thursday, February 21, 2019, Friday, February 21, 2020, Sunday, February 21, 2021* Monday, February 21, 2022, Tuesday, February 21, 2023, Wednesday, February 21, 2024, Friday, February 21, 2025, Saturday, February 21, 2026, Sunday, February 21, 2027* and on maturity i.e. Monday, February 21, 2028
Day Count Convention	Actual/Actual

\* Since February 21, 2021 & February 21, 2027 would be falling on a Sunday, interest payment due on that day may be made on the next working day (as per SEBI Circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016). All other interest calculations remaining same.

Cash Flows	Date	Day	No. of Days in Coupon Period	Amount in Rupees per bond of Rs.10 lakhs
1st coupon	February 21, 2019	Thursday	365	84,500.00/-
2nd coupon	February 21, 2020	Friday	365	84,500.00/-
3rd coupon	February 21, 2021	Sunday	366	84,500.00/-
4th coupon	February 21, 2022	Monday	365	84,500.00/-
5th coupon	February 21, 2023	Tuesday	365	84,500.00/-
6th coupon	February 21, 2024	Wednesday	365	84,500.00/-
7th coupon	February 21, 2025	Friday	366	84,500.00/-
8th coupon	February 21, 2026	Saturday	365	84,500.00/-
9th coupon	February 21, 2027	Sunday	365	84,500.00/-
10th coupon	February 21, 2028	Monday	365	84,500.00/-
Principal Repayment	February 21, 2028	Monday	N.A.	10,00,000/-

## MODE OF PAYMENT

All cheques/drafts/transfers/RTGS must be made payable to "HDB Financial Services Limited". Details for RTGS payments are mentioned herein below:

Name of Bank	HDFC Bank Ltd.
Branch	Fort
IFSC Code	HDFC0000060
Account number	00600310034720
Type of Account	Current
Name of Account	HDB FINANCIAL SERVICES LTD APPLICATION MONEY ACCOUNT
Name of beneficiary	HDB FINANCIAL SERVICES LTD

 For HDB Financial Services Limited  
  
**Authorised Signatory,**  
**Name:** Ramesh G. (DIN:05291597)  
**Title :** Managing Director  
**Date :** February 20, 2018

## ANNEXURE I – TRUSTEE CONSENT LETTER

## ANNEXURE II - RATING RATIONALE

### ANNEXURES- III

#### A - APPLICATION FORM

Date: [●]

Application Form No: [●]

By: [●]

The Compliance Officer

HDB Financial Services Limited

Dear Sir,

Having read and understood the contents of the Information Memorandum and the Private Placement Offer Letter dated [●] and the term sheet included therein, we apply for allotment of the Bonds to us. The amount payable on application as shown below is remitted herewith. On allotment, please place our name(s) on the Register of Bond holder(s). We bind ourselves to the terms and conditions as contained in the Information Document / Disclosure Document.

**(Please read carefully the instructions on the next page before filling this form)**

NCD Series	[●]
No. of bonds applied (in figures)	[●]
No. of bonds applied (in words)	[●]
Amount (Rs. in figures)	[●]
Amount (Rs. in words)	[●]
Cheque/Demand Draft/RTGS Details	[●]
Date	[●]
Drawn on Bank	[●]

**Applicant's Name & Address in full (please use capital letters)**

[●]	
Telephone: [●]	Fax: [●]

Status: Banking Company ( ) Insurance Company ( ) Others ( ) – please specify

Name of Authorised Signatory	Designation	Signature
[●]	[●]	[●]



**Details of Bank Account (from which the subscription money is remitted)**

Bank Name & Branch	[●]
Beneficiary Name	[●]
Nature of Account	[●]
Account No.	[●]
IFSC/NEFT Code	[●]
UTR / Direct Credit Ref. No. *	[●]

*\* Please enclose RTGS / Direct Credit Payment Advice alongwith this form.*

We hereby confirm that the payment(s) made towards subscription of the Unsecured Redeemable Non-Convertible Bonds under Series [●] is made from our bank account(s)

We understand that the interest/principal will be paid to the bank accounts of the beneficiaries as per the list and details of the beneficiaries provided by the Depository i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), as on the record date.

**Depository Details**

DP Name	[●]
DP ID [●]	Client ID

(\*) We understand that in case of allotment of bonds to us/our Beneficiary Account as mentioned above would be credited to the extent of bonds allotted.

Taxpayers PAN / GIR No.	IT Circle/Ward/District	( ) Not Allotted
[●]	[●]	
Tax Deduction Status	( ) Fully Exempt	( ) Tax to be deducted at Source ( ) Yes

**List of KYC docs. to be attached with the Application Form:**

- ✧ Constitution Documents: Certificate of Incorporation, Certificate of commencement of Business, Memorandum & Articles of Association, Regd. Trust Deed in case of Trust, SEBI Registration Certificate in case of Mutual Fund
- ✧ ID Proofs: Certified Copy of PAN Card, Demat Client Master Report
- ✧ Address Proof: Form 18 (under Companies Act, 1956) or INC-22 (under Companies Act, 2013) filled with ROC or Certified copy of latest utility bills
- ✧ Authorizing docs: Power of Attorney / Board Resolution with specimen signatures certified by the Company Secretary

For [●]

**Authorised Signatory(ies)**

(Tear here) \_\_\_\_\_

**ACKNOWLEDGEMENT SLIP**

Application No: [●]

Date: [●]

NCD Series	Series [●]
No. of bonds applied (in figures)	[●]
No. of bonds applied (in words)	[●]
Amount (Rs. in figures)	[●]
Amount (Rs. in words)	[●]
Cheque / DD/RTGS	[●]

For all further correspondence, please contact the Compliance Officer.

**INSTRUCTIONS**

- ✧ Application must be completed entirely in English, using BLOCK LETTERS.
- ✧ A signature can be made either in English or in any other Indian language.
- ✧ Application forms duly completed in all respects, together with Cheques/Pay Order/Demand Draft, must be lodged at the Company's Registered Office.
- ✧ In case of payments through RTGS, the payments may be made as follows:
 

Beneficiary Name	: HDB FINANCIAL SERVICES LTD APPLICATION MONEY ACCOUNT
Bank Name	: HDFC Bank Ltd.
Bank Details	: Fort, Mumbai 400001
Account No.	: 00600310034720
IFSC Code	: HDFC0000060

- ⚠ The Cheque(s)/Demand Draft(s) should be drawn in favour of "**HDB Financial Services Ltd. Application Money Account No. - 00600310034720**" and crossed "**A/c payee**" only. Cheque(s)/Demand draft(s) may be drawn on any scheduled bank and payable at Mumbai.
- ⚠ Outstation cheques, cash, money orders, postal orders and stock invest will NOT be accepted.
- ⚠ As a matter of precaution against possible fraudulent encashment of interest warrants due to loss/misplacement, one is requested to mention the full particulars of the bank account, as specified in the application form.
- ⚠ Interest warrants will then be made out in favour of the bank for credit to one's account. In case the full particulars are not given, cheques will be issued in the name of the applicant at their own risk.
- ⚠ One should mention their Permanent Account Number or the GIR number allotted under Income-Tax Act, 1961 and the Income-Tax Circle/Ward/District. In case where neither the PAN nor GIR number has been allotted, the fact of non-allotment should be mentioned in the application form in the space provided.
- ⚠ The application would be accepted as per the terms of the issue outlined in the Information Document / Disclosure Document.
- ⚠ The payment(s) towards subscription of the securities shall be made from the bank account(s) of the applicants.

#### ANNEXURE IV

##### SUBORDINATE BOND CERTIFICATE

##### HDB FINANCIAL SERVICES LIMITED

CIN: U65993GJ2007PLC051028

Registered Office: Radhika, 2<sup>nd</sup> Floor, Law Garden Road, Navrangpura, Ahmedabad – 380009

Corporate Office: Ground Floor, Zenith House, Keshavrao Khadye Marg, Opp. Race Course, Mahalaxmi, Mumbai - 400034

Issue of 1300 UNSECURED LISTED REDEEMABLE NON-CONVERTIBLE SUBORDINATE BONDS (Subordinate Bonds) of the face value of Rs.10,00,000 /- (Ten Lacs only) each, of the aggregate nominal value of Rs.130 crores (Rupees One Hundred Thirty Crores only) and all ranking paripassu inter se made under the authority of the Memorandum and Articles of Association of the Company and a resolution passed by the Bond Allotment Committee of the Company at its meeting held on \_\_\_\_\_ in respect of issuance of Subordinate Bonds to the holders of Subordinate Bonds as mentioned below.

##### JUMBO SUBORDINATE BOND CERTIFICATE

: UNSECURED LISTED REDEEMABLE NON-CONVERTIBLE SUBORDINATE BONDS each of Rs.10,00,000/- (Ten Lacs) each

: Amount paid up per Subordinate Bond Rs.10,00,000/- (Ten Lacs)

This is to certify that the person(s) named below or the last Transferee(s) whose name(s) is/are duly recorded in the Memorandum of Transfers on the reverse hereof is/are the Holder(s) of the within mentioned Bond (s) subject to the Memorandum and Articles of Association of the Company.

Reg. Folio No.	: Certificate No. 13
Name(s) of the Holder(s)	: (holders as per list attached)
No. of Subordinate Bond (s)	: _____
Distinctive No. (s)	: _____

This Subordinate Bonds are issued in terms of the Subordinate Bonds Trust Deed dated the 22<sup>nd</sup> day of July, 2016 (hereinafter referred to as "the Trust Deed") entered into between the Company and IDBI Trusteeship Services Ltd. (ITSL) having its registered office at Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai -400001 as Trustees (hereinafter referred to as "the Trustees") (which expression includes its successors and permitted assigns under the Trust Deed) and the information memorandum and private placement offer letter dated 20/02/2018 (hereinafter the "Information Memorandum") The Trustees will act as Trustees for the holders for the time being of the Subordinate Bonds (hereinafter referred to as "the Subordinate Bonds Holders") in accordance with the provisions of the Trust Deed whereby all remedies for the recovery of the principal amount and interest are vested in the Trustees on behalf of the Subordinate Bonds Holders. The Subordinate Bonds Holders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Trust Deed.

The Company hereby agrees and undertakes to duly and punctually pay, observe and perform, the terms and conditions on which these Subordinate Bonds are issued, which terms and conditions are provided in the Information Memorandum and the Trust Deed.

Given under the Common Seal of the Company this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

For HDB Financial Services Limited

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Authorised Signatory