

June 19, 2014



HDB FINANCIAL SERVICES LIMITED

CIN: U65993GJ2007PLC051028

(the "Company" or the "Issuer") is incorporated under the Companies Act, 1956

Registered Office: Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad: 380009

Corporate Office: Gr. Floor, Madhusudan Estate, Pandurang Budhkar Marg, Lower Parel, Mumbai- 400013

Tel: 022- 39586300; Fax: 022-39586666; Website: www.hdbfs.com;

Compliance Officer: Mr. Rohit Bhase, Company Secretary; e-mail:rohit.bhase@hdbfs.com

Information Memorandum

Disclosures under Schedule I of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012, for issue of 2000 Unsecured Non Convertible Subordinate Bond of the face value of Rs.10,00,000 each for cash, aggregating to Rs.200 crores, on Private Placement Basis.

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 Disclosure Document contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Disclosure Document is true and correct 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 document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Any of Directors of the Company and Mr. Haren Parekh, Head – Finance *vide* Board resolution passed on April 15, 2014 have been severally authorized to issue Information memorandum and any other documents that may be required.

CREDIT RATING: "CARE AAA" by Credit Analysis & Research Limited (CARE) and "CRISIL AAA" by CRISIL Limited. Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk. The rating is not a recommendation to buy, sell or hold securities and investors should take their own decision. The rating may be subject to revision or withdrawal at any time by the assigning rating agency and each rating should be evaluated independently of any other rating. The ratings

obtained are subject to revision at any point of time in the future. The rating agency has the right to suspend, withdraw the rating at any time on the basis of new information etc.

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 |
|---|---|---|---|
| HDB Financial Services Limited | IDBI Trusteeship Services Limited | Link Intime India Pvt. Ltd. | ICICI Securities Primary Dealership Ltd. |
| Regd office: Radhika, 2 nd Floor, Law Garden Road, Navrangpura, Ahmedabad – 380009. | Regd office: Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001 | Regd office: C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078 | Regd office: ICICI Centre, HT Parekh Marg, Churchgate, Mumbai - 400020 |
| Corp office: Madhusudan Estate, Ground Floor, P.B. Marg, Lower Parel (W), Mumbai - 400013 | Corp office: Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001 | Corporate office: C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078 | Corporate Office: ICICI Centre, HT Parekh Marg, Churchgate, Mumbai - 400020 |
| Tel: 022-39586300 Fax: 022-39586666 | Tel: 022-40807008 Fax: 022-66311776 | Tel: 022 - 25963838 Fax: 022 - 25962691 | Tel: 022 – 2288 2460 Fax: 022 – 2288 2312 |
| E-mail : rohit.bhase@hdbfs.com | E-mail : ajit.guruji@idbitrustee.com | E-mail : ganesh.jadhav@linkintime.co.in | E-mail : karan.mehta@isecpd.com |
| Contact Person: Mr. Rohit Bhase, Company Secretary | Contact Person: Mr. Ajit Guruji, Vice President | Contact Person: Mr. Ganesh Jadhav, Asst. Vice President – Depository Operations | Contact Person: Karan Mehta |

HDB Financial Services Limited

| Compliance Officer | Chief Financial Officer (Head-Finance) | Statutory Auditor | Credit Rating Agency |
|--|---|--|--|
| Mr. Rohit Bhase, Madhusudan Estate, Ground Floor, Pandurang Budhkar Marg, Lower Parel (West), Mumbai – 13 | Mr. Haren Parekh Madhusudan Estate, Ground Floor, Pandurang Budhkar Marg, Lower Parel (West), Mumbai -13 | M/s B S R & Co., LLP, Chartered Accountants, Lodha Excelus, 1 st Floor, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai – 400011 | Credit Analysis & Research Ltd., 4th floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai – 400 022 Crisil Limited, CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076. |

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 |

1. 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 | 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 | CDSL and NSDL |
| 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) |
| DP | Depository Participant |
| 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 2000 Unsecured Redeemable Non-Convertible Subordinate Bonds (Subordinate Bonds) of the face value of Rs.10,00,000 each for cash, aggregating to Rs.200 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 Regulations | The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued by SEBI, as amended from time to time. |
| Arranger | ICICI Securities Primary Dealership 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 December 19, 2013 executed by and between the Trustee and the Company in relation to the Subordinate Bonds , including the amendment(s) made thereto vide supplemental deed dated June 18, 2014, the terms of which read along with this Information Memorandum shall govern the Issue. |
| TDS | Tax Deducted at Source |

2. 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 Sole 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 Sole Arranger has neither scrutinized/ vetted nor has it done any due-diligence for verification of the contents of this Disclosure Document. The Sole 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 Sole Arranger should not in any way be deemed or construed that the document has been prepared, cleared, approved or vetted by the Sole 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 Sole 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.

3. GENERAL INFORMATION

3.1 NAME AND ADDRESS OF THE REGISTERED OFFICE OF THE COMPANY

| | |
|--|---|
| Name | HDB Financial Services Ltd |
| Registered address: | Radhika, 2 nd Floor, Law Garden Road Navrangpura, Ahmedabad – 380009 Tel : (+9122-39586300) Fax : (+9122-39586666) |
| Corporate Office: | Madhusudan Estate, Ground Floor, Pandurang Budhkar Marg, Lower Parel, Mumbai-400013 |
| Contact Person / Compliance officer : | Mr. Rohit Bhase |
| E-mail Id: | rohit.bhase@hdbfs.com |
| Phone No: | 022-39586368 |
| Fax: | 022-39586666 |
| Website: | www.hdbfs.com |

3.2 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 themselves about and to observe any such restrictions.

4. 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 Finance 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. 1,688.27 crores and net profit of Rs.209.24 crores in FY 13-14 with total net worth of Rs. 1628.50 crores as at March 31, 2014. The Company is promoted by HDFC Bank Ltd. which has 97.32% shareholding in the Company as on March 31, 2014. The Company has been rated AAA by CARE and AAA/Stable by CRISIL for long term loans from banks. The Company's capital adequacy ratio as on March 31, 2014 was 18.40%, as against minimum regulatory requirement of 15% for non deposit accepting NBFCs. The asset quality of the Company remains healthy with Gross NPAs at 0.81% and Net NPAs at 0.42% as on March 31, 2014. During FY 13-14, the Company has disbursed loans amounting to Rs. 9,001.24 Crores.

The Company caters to the growing needs of the 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. More than half of the present book is lending towards this sector.

(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 (MD). He reports to the Board. He has direct reportees in each function viz. Mr. Haren Parekh, Head – Finance, Mr. Ashish Ghatnekar Head - HR& Operations, Mr. Rohit Patwardhan, Head-Risk. All the functional heads report to MD. The Company is having the qualified and dedicated pool of employees.

(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 Loans are in the range of Rs.1,00,000 to Rs.30,00,000. These loans are offered as term loans with a maximum tenure of 48 months. Interest rates on these loans are higher than the rates on secured loans.

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 to Rs.8,00,00,000. These loans are offered as term loans with the maximum tenure at 180 months. These loans are normally offered on a floating rate basis. The company provides loan against the following collaterals as security for the loans:

- Residential / commercial property
- Cars/automobiles (both new and used)
- Marketable securities
- Gold jewellery

- **Commercial Vehicle Loans** - The Company provides loans for purchase of new and used commercial vehicles.
- **Construction Equipment Loans** - The Company provides loans for purchase of new and used construction equipments.
- **Insurance services** - The Company is a corporate agent for HDFC Standard Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited. The Company sells life and general insurance bundled with its loan as a value-add as well as a standalone product.
- **BPO Services business** - The Company has a contract with HDFC Bank to run collections call centers and collect overdue from borrowers. The Company has set up call centers across the country with a capacity of over 2600 seats as on March 31, 2014. These centers provide collection services for the entire gamut of retail lending products of HDFC Bank. The company offers end to end collection services in over 400 locations through its calling and field support teams.
- **Infrastructure:** The Company has 275 branches in 201 cities as on March 31, 2014 thus creating the right distribution network to sell Company's products and services. The company has its data centre at Bengaluru and centralized operations at Hyderabad and Chennai. The Business Process Outsourcing (BPO) services vertical now runs 10 call centers with a capacity of over 2,600 work stations.

(v) Key Operational and Financial parameters:

| Parameters | Rs. in crores | | | | |
|--------------------------------------|---------------|----------|----------|----------|----------|
| | FY | FY | FY | FY | FY |
| | 31.03.14 | 31.03.13 | 31.03.12 | 31.03.11 | 31.03.10 |
| | Audited | Audited | Audited | Audited | Audited |
| For Financial Entities | | | | | |
| Net worth | 1629 | 874 | 771 | 719 | 101 |
| Total Debt | 11075 | 7154 | 3151 | 669 | 450 |
| of which – Non Current Maturities of | 7846 | 5056 | 1785 | 334 | 258 |
| Long Term Borrowing | | | | | |
| - Short Term Borrowing | 405 | 150 | 50 | 1 | 40 |
| - Current Maturities of | 2824 | 1948 | 1200 | 334 | 152 |
| Long Term Borrowing | | | | | |
| Net Fixed Assets | 39 | 20 | 12 | 10 | 10 |
| Non Current Assets | 10260 | 6244 | 3103 | 931 | 438 |
| Cash and Cash Equivalents | 140 | 12 | 18 | 168 | 13 |
| Current Investments | 0 | 0 | 0 | 30 | 0 |
| Current Assets | 3250 | 2028 | 936 | 355 | 112 |
| Current Liabilities | 829 | 175 | 218 | 91 | 14 |
| On balance sheet assets | 13387 | 8204 | 3964 | 1260 | 534 |
| Off Balance Sheet Assets | 173 | 48 | 28 | 0 | 0 |
| Interest Income | 1687 | 962 | 431 | 178 | 60 |
| Interest Expense | 891 | 511 | 170 | 47 | 22 |
| Provisioning & Write-offs | 126 | 63 | 40 | 21 | 4 |
| PAT | 209 | 102 | 51 | 16 | 10 |
| Dividend per share (Rs. Per share) | 0.50 | NIL | NIL | NIL | NIL |
| Interest Coverage Ratio | 1.23 | 1.20 | 1.30 | 1.34 | 1.45 |
| Gross NPA (%) | 0.81% | 0.44% | 0.10% | 0.33% | 0.96% |
| Net NPA (%) | 0.42% | 0.25% | 0.05% | 0.18% | 0.48% |
| EPS (Rs. Per share) | 4.32 | 2.49 | 1.25 | 0.88 | 0.94 |
| Book Value | 33.61 | 21.27 | 18.77 | 17.53 | 9.72 |

Gross Debt Equity Ratio

| | |
|-------------------------------------|------------|
| Before the issue of debt securities | 7.04 times |
| After the issue of debt securities | 7.16 times |

(vi) 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 0.81% and Net NPAs are at 0.42% as of March 31, 2014.

(vii) 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.

(viii) 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 2014-15 will bring reasonable growth.

(ix) HDB Loan Portfolio

(Rs. in crores)

| Particulars | Amount (as on March 31, 2014) |
|--------------------------|--|
| Loan against property | 8,506 |
| Loan against shares\ | 39 |
| Unsecured Business loans | 1,337 |
| Auto loans | 55 |
| Commercial vehicle | 2,572 |
| Construction Equipment | 746 |
| Loan against gold | 132 |
| Total | 13,387 |

5 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 97.32% as on March 31, 2014. The key milestones in the history of the Company since incorporation are as follows:

| Year | Key Mile stone Achieved |
|------|---|
| 2007 | The company was incorporated on 4 th June 2007 |
| 2010 | Promoter subscribed to a preferential offer of 10 Crores equity shares of Rs.10 each at a premium of Rs.5 per share. |
| 2011 | The company came up with a rights issue of equity share of Rs.10 each at a premium of Rs. 12 per share in the ratio of 1:1 |
| 2013 | The company came up with a Rights Issue of equity share of Rs. 10 each at a premium of Rs. 46 per share in the ratio of 1:1 |

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

(II) CAPITAL STRUCTURE

The authorised share capital of the Company is **Rs.10,000,000,000/-** (Rupees ten billion) divided into 1,000,000,000 equity shares of Rs 10/- each

(i) Details of share capital as on the last quarter ended March 31, 2014

| Share Capital | Rs. |
|---|----------------|
| Authorized Share Capital 1,000,000,000 Equity Shares of Rs.10 each | 10,000,000,000 |
| Issued, Subscribed and Paid-up Share Capital 51,37,50,219 Equity Shares of Rs.10 each | 513,75,02,190 |

(ii) Major changes in its capital structure as on last quarter end December 31, 2013 for the last five years:-

| Date of Change (AGM/EGM) | Rs | Particulars |
|--------------------------|---------------|--|
| 31/05/2010 | 150,00,00,000 | Preferential allotment of shares to Promoters |
| 24/02/2011 | 455,00,00,000 | Issue of equity shares through Right basis (including premium) |
| 12/07/2013 | 513,47,41,690 | Issue of equity shares through Right basis (including premium) |

(III) Details of any Acquisition or Amalgamation in the last 1 year– Not Applicable

a. Details of any Reorganization or Reconstruction in the last 1 year:-

| Type of Event | Date of Announcement | Date of Completion | Details |
|---------------|----------------------|--------------------|-----------|
| NA | NA | NA | NA |

b. Equity Share Capital History of the Company as on last quarter ended March 31, 2014:-

| 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.) | |
| 31/7/2007 | 70000 | 10 | Cash | 10 | Initial Subscription to Memorandum and Articles of Association | 70000 | 700000 | 0 | - |
| 31/8/2008 | 4500000 | 10 | Cash | 10 | Subscribed by HDFC Bank to be promoter of the company | 4570000 | 45700000 | 0 | - |
| 12/1/2008 | 7325000 | 10 | Cash | 10 | Subscribed by HDFC Bank | 11895000 | 118950000 | 0 | - |
| 12/1/2008 | 4872000 | 10 | Cash | 10 | Subscribed by employees of HDFC Bank | 16767000 | 167670000 | 0 | - |
| 31/3/2008 | 88175000 | 10 | Cash | 10 | Subscribed by HDFC Bank | 104942000 | 1049420000 | 0 | - |
| 23/7/2008 | 65000 | 10 | Cash | 10 | Subscribed by Ex Director | 105007000 | 1050070000 | 0 | - |
| 15/6/2010 | 100000000 | 10 | Cash | 15 | Subscribed by HDFC Bank | 205007000 | 2050070000 | 0 | - |
| 15/12/2010 | 125000 | 10 | Cash | 10 | ESOS vesting | 205132000 | 2051320000 | 0 | - |
| 30/3/2011 | 205132000 | 10 | Cash | 22 | Rights issue 1:1 | 410264000 | 4102640000 | 2461584000 | - |
| 07/07/2011 | 90000 | 10 | Cash | 10 | ESOS Vesting | 410354000 | 4103540000 | 0 | - |
| 01/11/2011 | 175000 | 10 | Cash | 10 | ESOS Vesting | 410529000 | 4105290000 | 0 | - |
| 01/11/2011 | 76600 | 10 | Cash | 17.50 | ESOS Vesting | 410605600 | 4106056000 | 2462158500 | - |
| 21/06/2012 | 20000 | 10 | Cash | 10 | ESOS Vesting | 410625600 | 4106256000 | 0 | - |
| 21/06/2012 | 8000 | 10 | Cash | 17.50 | ESOS Vesting | 410633600 | 4106336000 | 2462218500 | - |
| 07/12/12 | 88800 | 10 | Cash | 17.50 | ESOS Vesting | 410722400 | 4107224000 | 666000 | - |
| 07/12/12 | 43350 | 10 | Cash | 25 | ESOS Vesting | 410765750 | 4107657500 | 650250 | - |
| 11/07/13 | 102691469 | 10 | Cash | 46 | Rights Issue | 513457 | 51345721 | 47238075 | - |

| | | | | | | | | | |
|----------|---------|----|------|---|---------------|---------------|---------------|-----------|--|
| | | | | | | 219 | 90 | 74 | |
| 29/08/13 | 13950 | 10 | Cash | 17.50 | ESOS Vesting | 513471169 | 5134711690 | 244125 | |
| 29/08/13 | 3000 | 10 | Cash | 25 | ESOS Vesting | 51,34,,74,169 | 513,47,41,690 | 244125 | |
| 04/12/13 | 276,050 | 10 | Cash | Series 4 – 17.5/- Series 5 – 25/- Series 6 – 31/- | ESOS Exercise | 51,37,50,219 | 513,75,02,190 | 41,44,650 | |

c. Details of change in directors since last three years:

| Name, Designation and DIN | Date of Appointment / Resignation | Director of the Company since (in case of resignation) | Remarks |
|---|-----------------------------------|--|---------|
| Mr. Vinod Yennemadi, Director, 00137039 | 04/06/2007 / 23/12/2011 | 04/06/2007 | - |
| Mr. Pralay Mondal Director, 00117994 | 31/08/2007 / 17/07/2012 | 31/08/2007 | - |
| Mr. Anil Jaggia Director 00317490 | 23/12/2011 | - | - |
| Mr. G. Ramesh Director 05291597 | 01/07/2012 | - | - |

(IV) 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 st Floor, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai | FY 2013-2014 |

b. Details of change in auditor since last three years:

| Name | Address | Date of Appointment / Resignation / Retirement | Auditor of the Company since (in case of resignation/ Retirement) | Remarks |
|------------------------|--|--|---|---------|
| M/s. Haribhakti ,& Co. | 701, Leela Business Park, Opposite Leela Galleria, Andheri Kurla Road, | Retired on April 17, | Upto FY 2012-2013 | |

| | | | | |
|--|-------------------------------|------|--|--|
| | Andheri East. Mumbai – 400059 | 2013 | | |
|--|-------------------------------|------|--|--|

(V) Details of borrowings of the Company, as on March 31, 2014:

a. Details of Secured Loan Facilities:

| Name of the Bank | Sanction | Outstanding as on 31st March 2014 | Undrawn | Repayment schedule (number of installments) |
|------------------------------|-----------------|--|----------------|--|
| Allahabad Bank | 300 | 50 | 250 | 12 |
| Andhra Bank | 67 | 67 | 0 | 4 |
| Andhra Bank TL 2 | 167 | 167 | 0 | 10 |
| Andhra Bank TL 3 | 200 | 200 | 0 | 12 |
| Bank Of Baroda | 250 | 150 | 100 | 12 |
| Bank Of India - 3 | 8 | 8 | 0 | 3 |
| Bank Of India - 4 | 200 | 200 | 0 | 12 |
| Bank Of Maharashtra | 20 | 20 | 0 | 2 |
| Bank Of Maharashtra 2 | 67 | 67 | 0 | 8 |
| Bank Of Maharashtra TL 3 | 300 | 150 | 150 | 12 |
| Canara Bank TL 2 | 300 | 300 | 0 | 12 |
| Corporation Bank | 104 | 104 | 0 | 10 |
| Corporation Bank TL 2 | 200 | 100 | 100 | 12 |
| Deutsche Bank | 200 | 200 | 0 | 12 |
| Federal Bank | 250 | 250 | 0 | 12 |
| HDFC Bank - 5 | 113 | 113 | 0 | 4 |
| HDFC Bank - 6 | 218 | 218 | 0 | 8 |
| HDFC Bank - 7 | 586 | 586 | 0 | 86 |
| Indian Bank | 500 | 250 | 250 | 12 |
| Indian Overseas Bank | 100 | 100 | 0 | 4 |
| J & K Bank | 167 | 167 | 0 | 5 |
| J & K Bank TL 2 | 290 | 290 | 0 | 72 |
| Karnataka Bank | 83 | 83 | 0 | 10 |
| KarurVysya Bank | 10 | 10 | 0 | 2 |
| Kotak Mahindra Bank | 107 | 107 | 0 | 34 |
| Oriental Bank Of Commerce | 121 | 121 | 0 | 29 |
| Punjab & Sind Bank | 200 | 125 | 75 | 12 |
| Punjab National Bank TL 2 | 210 | 210 | 0 | 7 |
| State Bank of bikaner&jaipur | 60 | 60 | 0 | 3 |
| South Indian Bank | 65 | 65 | 0 | 13 |
| South Indian Bank TL 2 | 115 | 115 | 0 | 11 |
| State Bank Of Hyderabad | 100 | 50 | 50 | 12 |
| State Bank Of India | 500 | 300 | 200 | 12 |
| State Bank Of Mysore | 30 | 30 | 0 | 2 |
| State Bank Of Patiala | 30 | 30 | 0 | 2 |

| | | | | |
|--------------------------|--------------|--------------|--------------|----|
| Syndicate Bank | 167 | 167 | 0 | 4 |
| Syndicate Bank 2 | 317 | 317 | 0 | 44 |
| Syndicate Bank TL 3 | 500 | 500 | 0 | 12 |
| Union Bank Of Ind | 80 | 80 | 0 | 4 |
| Union Bank Of India TL 2 | 50 | 50 | 0 | 2 |
| Vijaya Bank | 56 | 56 | 0 | 5 |
| Vijaya Bank TL 2 | 250 | 250 | 0 | 12 |
| Yes Bank | 13 | 13 | 0 | 2 |
| Total | 7,668 | 6,493 | 1,175 | |

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:-

| Lender's Name | Type of Facility | Amt Sanctioned | Principal Amt Outstanding | Repayment Date / Schedule |
|---------------|------------------|----------------|---------------------------|---------------------------|
| NA | NA | NA | NA | NA |

c. Details of NCDs outstanding as on March 31, 2014:

| Debenture Series | Tenor / Period of Maturity | Coupon (%) p.a. | Amount (Rs. In crores) | Date of Allotment | Redemption Date/ Schedule | Credit Rating | Secured /unsecured | Security |
|------------------|----------------------------|-----------------|------------------------|-------------------|---------------------------|---------------|--------------------|----------------------------------|
| 2011 A/1/2 | 3 years | 10.3 | 90 | 9/12/2011 | 09/12/2014 | AAA by CARE | Secured | Immovable property & receivables |
| 2011 A/0/3 | 3 years | 10.00 | 58 | 30/12/11 | 29/12/2014 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/1/4 | 5 years | 9.95 | 135 | 11/1/2012 | 11/01/2017 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/1/5 | 3 years | 9.78 | 15 | 7/2/2012 | 2/2/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/0/6 | 3 years | 9.80 | 30 | 18/2/2012 | 2/09/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/0/7 | 2 years & | 9.95 | 50 | 26/3/2012 | 30/4/2014 & | AAA by | Secured | Immovable property & |

| | | | | | | | | |
|-------------|-----------|-------|-----|------------|------------|-------------|---------|----------------------------------|
| | 3 years | | | | 13/3/2015 | CARE | | receivables |
| 2012 A/1/8 | 5 years | 9.90 | 45 | 19/4/2012 | 17/4/2017 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/0/9 | 3 years | 9.90 | 56 | 19/4/2012 | 30/3/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/1/10 | 5 years | 10.10 | 90 | 11/6/2012 | 12/6/2017 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/1/11 | 3 years | 10.00 | 50 | 27/7/2012 | 29/6/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/0/12 | 3 years | 10.00 | 100 | 27/7/2012 | 29/7/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 B/1/13 | 5 years | 10.00 | 221 | 07/09/2012 | 07/09/2017 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/1/14 | 5 years | 9.71 | 150 | 09/10/2012 | 9/10/2017 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/1/15 | 3 years | 9.43 | 150 | 01/11/2012 | 30/10/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2012 A/1/16 | 3 years | 9.45 | 62 | 07/12/2012 | 28/04/2016 | AAA by CARE | Secured | Immovable property & receivables |
| 2013A/0/17 | 537days | 9.63 | 40 | 02/01/2013 | 23/06/2014 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 A/1/18 | 1826 days | 9.39 | 50 | 10/01/2013 | 10/01/2018 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 A/1/19 | 5 years | 9.33 | 50 | 18/01/2013 | 17/01/2018 | AAA by CARE | Secured | Immovable property & receivables |

| | | | | | | | | |
|--------------------------|--------------|---------|------|------------|------------|-------------------|---------|--|
| 2013 A/0/20 | 3 years | 9.36 | 50 | 28/01/2013 | 28/01/2016 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 A/0/21 | 33 months | 9.5553 | 142 | 14/03/2013 | 15/09/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 A/1/22 | 33 months | 9.50 | 100 | 28/03/2013 | 22/12/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 A/1/23 | 24 months | 8.81 | 100 | 09/05/2013 | 08/05/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2013A/1/24 | 36 months | 8.80 | 100 | 17/05/2013 | 17/05/2016 | AAA by CARE | Secured | Immovable property & receivables |
| 2013A/1/25 | 1100 days | 8.54 | 230 | 30/05/2013 | 03/06/2016 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 Series A/1/26 | 1136 days | 10.0841 | 95 | 12/08/2013 | 21/09/2016 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 A/0/27 | 1088 days | 10.8062 | 145 | 10/09/2013 | 02/09/2016 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 A/1/28 | 1826 days | 10.35 | 103 | 08/10/2013 | 08/10/2018 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 Series A/1/29 | 1096 days | 10.30 | 100 | 18/10/2013 | 18/10/2016 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 Series A/0/30 | 1087 days | 9.8855 | 42.2 | 13/11/2013 | 04/11/2016 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 Series A/1/31 | 731 days | 10.10 | 70 | 29/11/2013 | 30/11/2015 | AAA by CARE | Secured | Immovable property & receivables |
| 2013 Series | 1073 | 10.17 | 161 | 04/12/2013 | 11/11/2016 | AAA by | Secured | Immovable property & |

| | | | | | | | | |
|--------------------|-----------|-------|------|------------|------------|------------------------------|---------|----------------------------------|
| A/1/32 | days | | | | | CARE | | receivables |
| 2014 Series A/1/33 | 1810 days | 9.97 | 59.8 | 13/01/2014 | 28/12/2018 | AAA by CARE AAA by Crisil | Secured | Immovable property & receivables |
| 2014 Series A/1/34 | 1810 days | 9.97 | 97 | 13/01/2014 | 28/12/2018 | AAA by CARE AAA by Crisil | Secured | Immovable property & receivables |
| 2014 Series A/1/35 | 730 days | 9.86 | 95 | 29/01/2014 | 29/01/2016 | AAA by CARE AAA by Crisil | Secured | Immovable property & receivables |
| 2014 Series A/1/36 | 1096 days | 10.05 | 135 | 10/02/2014 | 10/02/2017 | AAA by CARE AAA by Crisil | Secured | Immovable property & receivables |
| 2014 Series A/1/37 | 1824 days | 10.00 | 80 | 17/02/2014 | 15/02/2019 | AAA by CARE AAA by Crisil | Secured | Immovable property & receivables |

d. Details of Subordinated Bonds outstanding as on March 31, 2014:

| Bond Series | Tenor / Period of Maturity | Coupon (%) | Amount (Rs. In crores) | Date of Allotment | Redemption Date/ Schedule | Credit Rating | Secured / unsecured | Security |
|--------------------|-----------------------------------|-------------------|-------------------------------|--------------------------|----------------------------------|----------------------|----------------------------|-----------------|
| 2012 I/1/1 | 10 years | 10.20 | 250 | 09/8/2012 | 09/08/2022 | AAA | Unsecured | Nil |

| | | | | | | | | |
|------------|----------|-------|-----|------------|------------|-----|-----------|-----|
| 2012 I/1/2 | 10 years | 9.70 | 150 | 30/11/2012 | 30/11/2022 | AAA | Unsecured | Nil |
| 2012 I/1/3 | 10 years | 9.60 | 200 | 22/03/2012 | 22/03/2023 | AAA | Unsecured | Nil |
| 2013 I/1/4 | 10 years | 10.20 | 100 | 18/10/2013 | 17/10/2023 | AAA | Unsecured | Nil |
| 2013 I/1/5 | 10 years | 10.05 | 50 | 20/12/2013 | 20/12/2023 | AAA | Unsecured | Nil |
| 2013 I/1/6 | 10 years | 10.19 | 80 | 18/03/2014 | 18/03/2024 | AAA | Unsecured | Nil |

e. List of Top 10 Debenture Holders (as on March 31, 2014)

(Rs. in crores)

| Sr. No. | Name of Debenture holder | Amount |
|---------|--|--------|
| 1 | KOTAK MAHINDRA TRUSTEE COMPANY LTD. A/C. KOTAK MAHINDRA BOND SHORT TERM PLAN | 222 |
| 2 | KOTAK MAHINDRA BANK LTD | 195 |
| 3 | POSTAL LIFE INSURANCE FUND A/C SBIFMPL | 190 |
| 4 | LIFE INSURANCE CORPORATION OF INDIA | 121 |
| 5 | POSTAL LIFE INSURANCE FUND A/C UTI AMC | 115 |
| 6 | JPMORGAN INDIA ACTIVE BOND FUND | 112 |
| 7 | LIFE INSURANCE CORPORATION OF INDIA P & GS FUND | 100 |
| 8 | HDFC STANDARD LIFE INSURANCE COMPANY LIMITED | 100 |
| 9 | JPMORGAN INDIA INCOME FUND - SERIES 301 | 87 |
| 10 | RELIANCE GENERAL INSURANCE CO LTD | 80 |

f. List of Top Ten Subordinate Bondholders (as on March 31, 2014)

(Rs. in crores)

| Sr. No. | Name of Subordinate Bondholder | Amount |
|---------|--|--------|
| 1 | POSTAL LIFE INSURANCE FUND A/C SBIFMPL | 105 |
| 2 | POSTAL LIFE INSURANCE FUND A/C UTI AMC | 105 |
| 3 | RURAL POSTAL LIFE INSURANCE FUND A/C UTI AMC | 60 |
| 4 | INFOSYS TECHNOLOGIES LIMITED EMPLOYEES PROVIDENT FUND TRUST | 52 |
| 5 | ICICI LOMBARD GENERAL INSURANCE COMPANY LTD | 50 |
| 6 | NPS TRUST- A/C UTI RETIREMENT SOLUTIONS PENSION FUND SCHEME - STATE GOVT | 44 |
| 7 | ICICI SECURITIES PRIMARY DEALERSHIP LIMITED | 43.1 |
| 8 | RURAL POSTAL LIFE INSURANCE FUND A/C SBIFMPL | 35 |
| 9 | JPMORGAN INDIA ACTIVE BOND FUND | 30 |
| 10 | LARSEN AND TOUBRO LIMITED | 28.1 |
| | | |

g. Details of Commercial Paper outstanding as on March 31, 2014:

| Maturity Date | Amt Outstanding |
|----------------------|------------------------|
| 19-Sep-14 | 100,00,00,000 |
| 6-Oct-14 | 100,00,00,000 |
| 8-Dec-14 | 105,00,00,000 |
| 13-Mar-15 | 50,00,00,000 |
| 12-Jun-14 | 50,00,00,000 |
| Total | 405,00,00,000 |

5.4 Details of Rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares) as on March 31, 2014:-

| Party Name (in case of Facility) / Instrument Name | Type of Facility / Instrument | Amt Sanctioned / Issued | Principal Amt outstanding | Repayment Date / Schedule | Credit Rating | Secured / Unsecured | Secur ity |
|--|-------------------------------|-------------------------|---------------------------|---------------------------|---------------|---------------------|-----------|
| NA | NA | NA | NA | NA | NA | NA | NA |

5.5 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. **NA**

5.6 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**

a. Details of Promoters of the Company:-Details of Promoter Holding in the Company as on the latest quarter end March 31, 2014:-

| 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. | 50,00,00,000 | 50,00,00,000 | 97.32% | Nil | Nil |

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: **N.A.**

Abridged version of Latest Audited / Limited Review Half Yearly consolidated (wherever available) and Standalone Financial Information (like Profit & Loss statement, and Balance Sheet) and auditors qualifications, if any: **N.A.**

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: **NA**

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.

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. **NA**
- 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 8 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. 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 tele-calling 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.
- g) Collecting and transmitting of money and all kinds of securities.

B. THE OBJECTS INCIDENTAL OR ANCILLARY TO THE ATTAINMENT OF MAIN OBJECTS:

- 1. To sell, improve, manage, develop, exchange, lease, mortgage, enfranchise, abandon, dispose of, turn to account or otherwise deal with all or any part of the property, assets, undertakings and rights of the Company for such consideration as the Company may think fit and in particular for shares, stocks, debentures and other securities of any other company whether or not having objects all together or in part similar to those of the Company.
- 2. To search for and to purchase or otherwise acquire from any Government, State or Authority any licences, concessions, grants, decrees, rights, powers and privileges which may seem to the Company capable of being turned to account and to work, develop, carry out, exercise and turn to account the same.
- 3. To purchase or otherwise acquire, protect, prolong and renew any patents, rights, brevets, invention, licenses, protections and concessions which may appear likely to be advantageous or useful to the Company and to use and turn to account the same and to grant licenses or privileges in respect of the same.
- 4. To adopt such means of making known the business of the Company as may seem expedient and in particular by advertising in the press, public places and theaters, by radio, by television, by circulars, by purchase and exhibition of works of art or interest, by publication of books, pamphlets, bulletins or periodicals, by organizing or participating in exhibitions and by granting prizes, rewards and donations.
- 5. To carry on business which may seem to the Company capable of being conveniently carried on in connection with the above business or any of them or calculated, directly or indirectly to enhance the value of or render profitable any of the properties or rights of the Company.
- 6. To aid, pecuniary or otherwise, any association, body or movement having for an object, the solution, settlement or surmounting of industrial or labour problems or troubles or for the promotion of industry or trade.
- 7. To establish, promote or concur in establishing or promoting any company or companies for the purpose of acquiring all or any of the property, rights and liabilities of the Company for any other purpose which may seem directly or indirectly, calculated to benefit the Company and to place or guarantee the placing of underwrite, subscribe for or otherwise acquire all or any part of the shares, debentures or other securities of any such other company.
- 8. To purchase, acquire and undertake all or any part of the businesses, properties and liabilities of any person or company carrying on or proposing to carry on any business which the Company is authorized to carry on or possessed of property suitable for the purposes of the Company, or which can be carried in conjunction therewith or which is capable of being conducted so as, directly or indirectly to benefit the Company and to subsidize or assist any such person or company financially or otherwise and in particular by subscribing for or guaranteeing the subscription of shares, stocks, debentures, debenture-stocks or other securities of such company.
- 9. To guarantee the payment of money unsecured or secured by or payable under or in respect of promissory notes, bonds, debentures, debenture-stocks, contracts, mortgages, charges,

- obligations, instruments and securities of any company or any authority supreme, municipal, local or otherwise or of any person whomsoever, whether incorporated or not incorporated and generally to guarantee or become sureties for the performance of any contracts or obligations.
10. To take over, operate, recover, manage, any Non Performing Assets (NPA) of any organization and have infrastructure and machinery for recovering such NPA's to act in the best interest of the Company.
 11. To carry on the business of providing the consulting, Risk Management, Finance and support services relating to marketing, production, finance, accounts, data collection, data sorting, data analysis, Human Resource Services, Call centers, Bills Collection, Direct or Indirect marketing of the products of clients, after sales service, administration support services, 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.
 12. To carry on the business as advisors, consultants, investment consultants, investment analyst, agents, wealth management, financial planning, venture capital, for financial mergers and acquisitions, fund raising, marketing, issue and placement of securities, advisors and portfolio investment managers, advisors for debt trading or derivative trading.
 13. HDB offers customers a complete product suite to meet their requirements. The segments being addressed are typically underserved by the larger Commercial banks thus creating a profitable niche for HDB to address.

C 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

- i) Memorandum and Articles of Association of the Company as amended from time to time.
- ii) Copy of certificate of Incorporation of the Company dated June 4, 2007.
- iii) Copy of certificate of Commencement of Business dated July 31, 2007.
- iv) Audited Accounts of the Company for the year ended March 31, 2013, 2012, 2011, 2010, 2009, 2008, and 2007 and the Auditors' Report thereon and unaudited financial results under clause 29 of the Debt Listing Agreement for the half year ended September 30, 2013 along with limited review report by the statutory auditors thereon.
- v) Certified true copy of Board Resolution dated July 17, 2012, authorizing the issue of private placement of debentures.
- vi) Certified true copy of the Resolution of the Members of the Company passed at the Annual General Meeting of the Company held on February 24, 2012 authorising borrowing powers under Section 293 (1) (a) and 293 (1)(d) of the Companies Act 1956.
- vii) Certified true copy of the Resolution of the Members of the Company passed at the Annual General Meeting held on June 14, 2012 appointing Messrs Haribhakti & Company, Chartered Accountants as Statutory Auditors of the Company.
- viii) Copy of the Subordinate Bond Trust Deed dated July 17, 2012 between IDBI Trustee and the Company.
- ix) Copy of the Debenture Trust deed dated September 24, 2012 between IDBI Trustee and the Company.

- ix) Copy of tripartite agreement dated July 23, 2012 between the Company, Link intime Private Limited and National Securities Depository Limited.
- x) Copy of tripartite agreement dated July 23, 2012 between the Company, Link intime Private Limited and Central Depository Securities Limited.
- xi) Certified true copy of the Resolution of the Members of the Company passed at the Annual General Meeting of the Company held on April 30, 2013 authorising borrowing powers under Section 293 (1) (a) and 293 (1)(d) of the Companies Act 1956.
- xii) Certified true copy of the Resolution of the Members of the Company passed at the Annual General Meeting held on May 30, 2013 appointing Messrs M/s B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company.
- xiii) Certified true copy of Board Resolution dated July 19, 2013, authorizing the issue of private placement of debentures.
- xiv) Certified true copy of Board Resolution dated November 27, 2013, authorizing the issue of private placement of debentures.
- xv) Copy of the Subordinate Bond Trust Deed dated December 19, 2013 between IDBI Trustee and the Company read with the supplemental deed dated June 18, 2014, executed by and between the Company and the Bond Trustee.
- xvi) Copy of the Debenture Trust Deed and Deed of Hypothecation dated December 19, 2013 between IDBI Trustee and the Company read with the supplemental deed dated June 16, 2014, executed by and between the Company and the Debenture Trustee. The supplemental deed has yet not been registered with the Sub Registrar of Assurances and the Company
- xvii) Copy of Rating Rationale issued by Crisil Ratings dated June 2, 2014 and Rating Rationale issued by CARE Ratings dated June 6, 2014
- xviii) Copy of letter from Care Ratings dated June 6, 2014 assigning CARE AAA and letter dated June 11, 2014 assigning CRISIL AAA/Stable by CRISIL for the Debentures issued/to be issued by the Company under this document.
- xix) Certified true copy of the Resolution of the Members of the Company passed at the Annual General Meeting held on May 30, 2013 appointing Messrs M/s B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company.
- xx) Certified true copy of Board Resolution dated April 15, 2014, authorizing the issue of debentures on private placement basis.
- xxi) Certified true copy of the Resolution of the Members of the Company passed at the Annual General Meeting of the Company held on June 17, 2014 authorizing the issue of debentures and subordinated bonds on private placement basis under Section 42 and 71 of the Companies Act 2013 read with Rules made thereunder.
- xxii) Certified true copy of the Resolution of the Members of the Company passed at the Annual General Meeting held on June 17, 2014 appointing Messrs M/s B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company.

D 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.

E 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.

F 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.

G CONSENT FROM THE EXISTING LENDERS

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

6 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, 2014 was 18.40% as against the RBI stipulation of 15%. Details of capital vis-à-vis risk weighted assets are as under:

(Rs. In Crores)

| As on | March 31, 2014 | March 31, 2013 | March 31, 2012 | March 31, 2011 |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Capital Funds | | | | |
| Tier I Capital | 1536.61 | 831.63 | 755.59 | 718.48 |
| Tier II Capital | 936.97 | 676.95 | 40.00 | 6.32 |
| Total Capital Fund | 2473.59 | 1508.58 | 795.59 | 724.80 |
| Risk Weighted Asset and Contingents | 13441.54 | 8227.31 | 3988.37 | 1313.13 |
| Total Capital Adequacy Ratio (%) | 18.40% | 18.34% | 19.95% | 55.20% |
| Tier I Capital Adequacy (%) | 11.43% | 10.11% | 18.94% | 54.71% |
| Tier II Capital Adequacy (%) | 6.97% | 8.23% | 1.00% | 0.48% |

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 proposes to augment its capital base in order to sustain a healthy CAR. The Company came out with issues of equity shares in July 2012, details of which are given elsewhere in the Information Memorandum.

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.200 crores of Unsecured Redeemable Non-Convertible Subordinate Bonds on a Private Placement Basis under Series 2014 I/1/7. The detailed term sheet of the Subordinate Bond Issue is given in para. 7.

7 DETAILS OF THE ISSUE SIZE

The Company proposes to issue of 200 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. 7.6.

BROAD TERMS OF THE ISSUE OF SUBORDINATE BONDS SERIES 2014 I/1/7

| | |
|--|--|
| Security Name | HDB/09.70%/Annual/2024 |
| Issuer | HDB Financial Services Limited |
| Type of Instrument | Unsecured Non Convertible Subordinate Bond |
| Nature of Instrument | Unsecured (Tier II) |
| Seniority | Subordinate Bond |
| Mode of Issue | Private placement |
| Eligible Investors | (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 (o) Any other investor permitted to invest in Bonds of Indian body corporate. |
| Listing (including name of stock Exchange(s) where it will be listed and timeline for listing) | On the Wholesale Debt Market (WDM) Segment of the Bombay Stock Exchange within 15 days from the date of allotment. |
| Rating of the Instrument | 'CARE AAA' and 'CRISIL AAA/Stable' |
| Issue Size | Rs.200 crores |
| Option to retain oversubscription (Amount) | N.A. |
| Objects of the Issue | Onward lending, working capital and/or its general corporate requirements |
| Details of the utilization of the Proceeds | Onward lending, working capital and/or general corporate requirements |
| Coupon Rate | 09.70% |

| | |
|--|--|
| Step Up/Step Down Coupon Rate | N.A. |
| Coupon Payment Frequency | Annually |
| Coupon payment dates | 20/06/2015, 20/06/2016, 20/06/2017, 20/06/2018, 20/06/2019, 20/06/2020, 21/06/2021, 20/06/2022, 20/06/2023, 20/06/2024 |
| Coupon Type | Fixed, coupon structure. |
| Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc). | N.A. |
| Day Count Basis | Actual/ Actual |
| Interest on Application Money | N.A. |
| Default Interest Rate | 2% |
| Tenor | 120 Months from the Deemed Date of Allotment i.e.20/06/2014 |
| Redemption Date | Thursday, June 20, 2024 |
| Redemption Amount | Rs. 10,00,000/- per bond |
| Redemption Premium /Discount | N.A. |
| Issue Price | Rs.10 Lakh per subordinate bond |
| 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. |
| Face Value | Rs.10 lakhs per subordinate bond |
| Minimum Application and in multiples of __ Debt securities thereafter | minimum application amount for a single investor shall be Rs. 30 lakh and in multiples of Rs. 10 lakh thereafter |
| Issue Timing | |
| 1. Issue Opening Date | Friday, June 20, 2014 |

| | |
|--|---|
| 2. Issue Closing Date | Friday, June 20, 2014 |
| 3. Pay-in Date | Friday, June 20, 2014 |
| 4. Deemed Date of Allotment | Friday, June 20, 2014 |
| Issuance mode of the Instrument | Demat only (for private placement) |
| Trading mode of the Instrument | Demat only (for private placement) |
| Settlement mode of the Instrument | Through RTGS/Bank |
| Depository | NSDL & CDSL |
| Business Day Convention | Working day |
| Record Date | At least 15 days prior to each Coupon Payment / Put Option Date / Call Option Date / Redemption date. |
| Security | Not applicable |
| Transaction Documents | As per IM |
| Conditions Precedent to Disbursement | NA |
| Condition Subsequent to Disbursement | NA |
| Events of Default | As set out in the Trust Deed |
| Provisions related to Cross Default Clause | As set out in the Trust Deed |
| Role and Responsibilities of Bond Trustee | As set out in the Trust Deed |
| 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 Bond. |

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

| | |
|--|--|
| Disclosure of cash flows | HDB Financial Services Limited |
| Face Value (per security) | Rs.10 lakhs per subordinate bond |
| Issue Date/Date of Allotment | Friday, June 20, 2014 |
| Redemption | Thursday, June 20, 2024 |
| Coupon Rate | 09.70% |
| Frequency of the Interest Payment with specified dates | Annually 20/06/2015, 20/06/2016, 20/06/2017, 20/06/2018, 20/06/2019, 20/06/2020, 21/06/2021, 20/06/2022, 20/06/2023, 20/06/2024 |
| Day Count Convention | Actual / Actual |

| Cash Flows | Date of Payment | No of Days | Coupon Rate | Coupon Amount |
|-------------|--------------------------|------------|-------------|---------------|
| | | | | |
| 1st Coupon | Saturday, June 20, 2015 | 365 | 9.70% | 97000 |
| 2nd Coupon | Monday, June 20, 2016 | 366 | 9.70% | 97000 |
| 3rd Coupon | Tuesday, June 20, 2017 | 365 | 9.70% | 97000 |
| 4th Coupon | Wednesday, June 20, 2018 | 365 | 9.70% | 97000 |
| 5th Coupon | Thursday, June 20, 2019 | 365 | 9.70% | 97000 |
| 6th Coupon | Saturday, June 20, 2020 | 366 | 9.70% | 97000 |
| 7th Coupon | Monday, June 21, 2021 | 366 | 9.70% | 97266 |
| 8th Coupon | Monday, June 20, 2022 | 364 | 9.70% | 96734 |
| 9th Coupon | Tuesday, June 20, 2023 | 365 | 9.70% | 97000 |
| 10th Coupon | Thursday, June 20, 2024 | 366 | 9.70% | 97000 |
| Principal | | | | 1000000 |

4.2 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 2014 I/1/7 carry a coupon at a rate of 9.70% p.a, payable annually |
| Redemption Date | Thursday, June 20, 2024 |
| 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 2014 Series I/1/7 issued under this Offer document will be allotted on June 20, 2014

(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 29th 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 any of dates defined above or elsewhere in this Disclosure Document, excepting the deemed date of allotment and the principal repayment date i.e. redemption date, fall on a Saturday, Sunday or a public holiday, the next working day shall be considered as the effective date(s) and the interest thereon shall be computed on actual day count up to the date of payment. In case if the principal repayment date i.e. redemption date falls on Saturday, Sunday or a holiday, then the payment will be made on previous working day and the interest thereon shall be computed on actual day count up to the date of payment. The Company's liability to the 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 Bond Holder's right of redemption as stated above.

(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 at the first instance will be credited in dematerialised form on Letter of Allotment ISIN (LOA ISIN) within seven days of the date of allotment. The Company will instruct the Depositories (NSDL/CDSL) to convert the said LOA ISIN to Unsecured Subordinate Bond ISIN immediately after the receipt of confirmation of registration of charge from the Registrar of Companies.

(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 at least 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 or 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 | 2012-13 | 2011-12 | 2010-11 |
|-------------------|-------------------|------------------|----------------|----------------|----------------|
| Debt equity ratio | 7.16 times | 7.04 times | 8.19 | 4.10 | 0.93 |

(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 06/06/2014 assigning CARE AAA and letter dated 02/06/2014 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 December 19, 2013 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 Series is within the overall limit of Rs. 750 Crores as fixed under the Subordinate Bond Trust Deed.

(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

8. 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
- (o) 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.

a. 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.

b. 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.

c. 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.

d. 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.

e. 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 Offices of the Issuer being Madhusudan Estate, Ground Floor, Pandurang Budhkar Marg, Lower Parel, Mumbai – 400013.

ISSUE PROGRAMME

| | |
|--------------------------|-----------------------|
| ISSUE OPENING DATE | Friday, June 20, 2014 |
| ISSUE CLOSING DATE | Friday, June 20, 2014 |
| DEEMED DATE OF ALLOTMENT | Friday, June 20, 2014 |

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.

9 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 nonconvertible Subordinate Bonds, public deposits, 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.

Our Gross NPAs as a percentage of Total Loan Assets were 0.44 % and 0.10 % as of March 31, 2013 and March 31, 2012 respectively, while our Net NPAs as a percentage of Net Loan Assets were 0.25 % and 0.05 % as of March 31, 2013 and March 31, 2012, respectively. We cannot be sure that we will be able to improve our collections and recoveries in relation to our NPAs or otherwise adequately control our level of NPAs in future. Moreover, as our loan portfolio matures, we may experience greater defaults in principal and/or interest repayments. Thus, if we are not able to control or reduce our level of NPAs, the overall quality of our loan portfolio may deteriorate and our results of operations may be adversely affected.

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, 2013. Our capital adequacy ratio computed on the basis of applicable RBI requirements was 18.34 % as of March 31, 2013, with Tier I capital comprising 10.11 %. 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.

4.3 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, 2013 in published in accordance with clause 29 of the Debt Listing Agreement 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 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 neighboring countries. Also, some of India's neighboring 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.

10 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):-

| | |
|--|---|
| Security Name | HDB/09.70%/Annual/2024 |
| Issuer | HDB Financial Services Limited |
| Type of Instrument | Unsecured Non Convertible Subordinate Bond |
| Nature of Instrument | Unsecured (Tier II) |
| Seniority | Subordinate Bond |
| Mode of Issue | Private placement |
| Eligible Investors | <p>(p) Commercial Bank, (q) Co-operative Bank, (r) Regional Rural Bank, (s) Provident Fund, Superannuation Fund or Gratuity Fund, (t) Pension Fund (u) Mutual Fund, (v) Company, Bodies Corporate, Statutory Corporation, (w) Registered Society, (x) Partnership firm, (y) Hindu Undivided Family ("HUF") (z) Individual, (aa) Private trust, (bb) Insurance Company, (cc) Portfolio Manager or (dd) Any other investor permitted to invest in Bonds of Indian body corporate.</p> |
| Listing (including name of stock Exchange(s) where it will be listed and timeline for listing) | On the Wholesale Debt Market (WDM) Segment of the Bombay Stock Exchange within 15 days from the date of allotment. |
| Rating of the Instrument | 'CARE AAA' and 'CRISIL AAA/Stable' |
| Issue Size | Rs.200 crores |
| Option to retain oversubscription (Amount) | N.A. |
| Objects of the Issue | Onward lending, working capital and/or its general corporate requirements |

| | |
|--|--|
| Details of the utilization of the Proceeds | Onward lending, working capital and/or general corporate requirements |
| Coupon Rate | 09.70% |
| Step Up/Step Down Coupon Rate | N.A. |
| Coupon Payment Frequency | Annually |
| Coupon payment dates | 20/06/2015, 20/06/2016, 20/06/2017, 20/06/2018, 20/06/2019, 20/06/2020, 21/06/2021, 20/06/2022, 20/06/2023, 20/06/2024 |
| Coupon Type | Fixed, coupon structure. |
| Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc). | N.A. |
| Day Count Basis | Actual/ Actual |
| Interest on Application Money | N.A. |
| Default Interest Rate | 2% |
| Tenor | 120 Months from the Deemed Date of Allotment i.e.20/06/2014 |
| Redemption Date | Thursday, June 20, 2024 |
| Redemption Amount | Rs. 10,00,000/- per bond |
| Redemption Premium /Discount | N.A. |
| Issue Price | Rs.10 Lakh per subordinate bond |
| 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. |

| | |
|---|---|
| Face Value | Rs.10 lakhs per subordinate bond |
| Minimum Application and in multiples of __ Debt securities thereafter | minimum application amount for a single investor shall be Rs. 30 lakh and in multiples of Rs. 10 lakh thereafter |
| Issue Timing | |
| 1. Issue Opening Date | Friday, June 20, 2014 |
| 2. Issue Closing Date | Friday, June 20, 2014 |
| 3. Pay-in Date | Friday, June 20, 2014 |
| 4. Deemed Date of Allotment | Friday, June 20, 2014 |
| Issuance mode of the Instrument | Demat only (for private placement) |
| Trading mode of the Instrument | Demat only (for private placement) |
| Settlement mode of the Instrument | Through RTGS/Bank |
| Depository | NSDL & CDSL |
| Business Day Convention | Working day |
| Record Date | At least 15 days prior to each Coupon Payment / Put Option Date / Call Option Date / Redemption date. |
| Security | Not applicable |
| Transaction Documents | As per IM |
| Conditions Precedent to Disbursement | NA |
| Condition Subsequent to Disbursement | NA |
| Events of Default | As set out in the Trust Deed |
| Provisions related to Cross Default Clause | As set out in the Trust Deed |
| Role and Responsibilities of Bond Trustee | As set out in the Trust Deed |
| 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 Bond. |
|--|-------------------------------------|

| | |
|--|--|
| Disclosure of cash flows | HDB Financial Services Limited |
| Face Value (per security) | Rs.10 lakhs per subordinate bond |
| Issue Date/Date of Allotment | Friday, June 20, 2014 |
| Redemption | Thursday, June 20, 2024 |
| Coupon Rate | 09.70% |
| Frequency of the Interest Payment with specified dates | Annually 20/06/2015, 20/06/2016, 20/06/2017, 20/06/2018, 20/06/2019, 20/06/2020, 21/06/2021, 20/06/2022, 20/06/2023, 20/06/2024 |
| Day Count Convention | Actual / Actual |

| Cash Flows | Date of Payment | No of Days | Coupon Rate | Coupon Amount |
|-------------|--------------------------|------------|-------------|---------------|
| | | | | |
| 1st Coupon | Saturday, June 20, 2015 | 365 | 9.70% | 97000 |
| 2nd Coupon | Monday, June 20, 2016 | 366 | 9.70% | 97000 |
| 3rd Coupon | Tuesday, June 20, 2017 | 365 | 9.70% | 97000 |
| 4th Coupon | Wednesday, June 20, 2018 | 365 | 9.70% | 97000 |
| 5th Coupon | Thursday, June 20, 2019 | 365 | 9.70% | 97000 |
| 6th Coupon | Saturday, June 20, 2020 | 366 | 9.70% | 97000 |
| 7th Coupon | Monday, June 21, 2021 | 366 | 9.70% | 97266 |
| 8th Coupon | Monday, June 20, 2022 | 364 | 9.70% | 96734 |
| 9th Coupon | Tuesday, June 20, 2023 | 365 | 9.70% | 97000 |
| 10th Coupon | Thursday, June 20, 2024 | 366 | 9.70% | 97000 |

| | | | | |
|-----------|--|--|--|---------|
| Principal | | | | 1000000 |
|-----------|--|--|--|---------|

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 |

For HDB Financial Services Limited

Authorised Signatory

Date : June 19, 2014

ANNEXURE I – TRUSTEE CONSENT LETTER

ANNEXURE II - RATING RATIONALE

ANNEXURE III – APPLICATION FORM

ANNEXURE IV

SUBORDINATE BOND CERTIFICATE