

HDB FINANCIAL SERVICES LIMITED
Registered Office: Radhika
2nd Floor, Law Garden Road,
Navarangpura, Ahmedabad: 380009
Tel: 022- 39586300 Fax: 022-39586666
Website: <http://www.hdbfs.com/> E-mail: rakesh.pathak@hdbfs.com

DISCLOSURE UNDER SCHEDULE I OF SEBI (ISSUE AND LISTING OF DEBT SECURITIES)
REGULATIONS, 2008 AND SEBI (ISSUE AND LISTING OF DEBT SECURITIES) (AMENDMENT)
REGULATIONS, 2012

Issue of 1500 Unsecured Redeemable Non-Convertible Subordinate Bonds (Subordinate Bonds) of the face value of Rs 10,00,000 each for cash, aggregating to Rs. 150 Crores on a 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.

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.	HDFC Bank Limited
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: HDFC Bank House, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013
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	Investment Banking Division: 1 st Floor, Trade World A Wing, Kamla Mills Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013.
Tel: 022-39586300 Fax: 022-39586666	Tel: 022-40807008 Fax: 022-66311776	Tel: 022 - 25963838 Fax: 022 - 25962691	Tel: 022-40804108 Fax: 022-40804114
E-mail : rakesh.pathak@hdbfs.com	E-mail : ajit.guruji@idbitrustee.com	E-mail : ganesh.jadhav@linkintime.co.in	E-mail : paresh.soni@hdfcbank.com
Contact Person: Mr. Rakesh Pathak, Company Secretary	Contact Person: Mr. Ajit Guruji, Vice President	Contact Person: Mr. Ganesh Jadhav, Asst. Vice President – Depository Operations	Contact Person: Mr. Paresh Soni

Compliance Officer	Chief Financial Officer (Head-Finance)	Statutory Auditor	Credit Rating Agency
Mr. Rakesh Pathak, 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 Haribhakti & Co, Chartered Accountants 701, Leela Business Park, Opposite Leela Galleria, Andheri Kurla Road, Andheri East. Mumbai – 400059	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.

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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
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	The issue of 1500 Unsecured, redeemable Non-convertible Subordinate Bonds of Rs.10,00,000/- each in one or more series from time to time aggregating Rs.150 Crore on 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.
Sole Arranger	HDFC Bank
Subordinate Bonds / Securities	Debt Instruments/ Unsecured, redeemable Non- convertible Subordinate Bonds issued / proposed to be issued pursuant to this Information Memorandum.
Subordinate Bonds Trust Deed / Trust Deed	The Subordinate Bonds trust deed dated July 17, 2012 executed by and between the Trustee and the Company in relation to the Subordinate Bonds
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 SOLE 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 Rakesh Pathak
E-mail Id:	rakesh.pathak@hdbfs.com
Phone No:	022-39586322
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 Shelf 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 Shelf Memorandum of Information comes is required to inform himself about and to observe any such restrictions.

4. SUMMARY OF BUSINESS / ACTIVITIES

(i) Overview

HDB Financial Services Ltd was incorporated in Ahmedabad on 4th June 2007 as a non deposit taking Non Banking Finance Corporation (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.431.76 crores and net profit of Rs 51.11 crores in FY 12 with a total net worth of Rs.770.78 crores as at March 31, 2012. The Company is promoted by HDFC Bank Ltd which has 97.42% shareholding in the Company as on 31st March 2012. 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 31st March 2011 was 19.94% as against minimum regulatory requirement of 15% for non deposit accepting NBFCs. The asset quality of the Company remains healthy with Gross NPAs at 0.10% and Net NPAs at 0.05% as on 31st March 2012. During FY 12, the Company has disbursed loans amounting to Rs.3966 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 HDB 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.

The Company has a strong parentage with the promoter HDFC Bank Ltd being a leading Private sector Bank in India having a market capitalisation of Rs 1,21,712 crores as on 31st March 2012. HDFC Bank is AAA rated by CARE and Fitch. The Banks Balance sheet size was Rs 3,37,909 crores as on 31st March 2012. The net advances for the bank was Rs 1,95,420 crores and deposits were at Rs 2,46,706 crores as on 31st March 2012. The CASA to total deposits ratio was at 48.4% as on 31st March 2012. The capital adequacy ratio stood at 16.5% as per Basel II guidelines. The bank has wide distribution network by way of 2544 branches in 1399 cities and the customer base of the bank was 25.9 million as on 31st March 2012. The ratio of net non performing assets to net advances remained stable at 0.2% as on 31st March 2012.

(ii) Corporate Structure

The HDB is professionally Board Managed company headed by Managing Director and Chief Executive Officer. He reports to the Board. He has direct reportees in each function such as HR, Finance, Risk Business, and Operations. All the functional Heads are reporting to MD & CEO. 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 3 Crores. It has the following products and services:

Loans – HDB offers a range of Loans in the Unsecured and Secured Loans space that fulfils all the financial needs of its target Segment:

Unsecured Personal Loans – The Loans are in the range of Rs 100,000 to Rs 20,00,000/- . These loans are offered as term loans with the maximum tenure at 48 months. Interest rates on these loans will be higher than the rates on Secured Loans

Secured Loans –Secured loans are offered to customers to address larger loan requirements or longer repayment requirements. Secured Loans are in the range of Rs 100,000 to 300,00,000. These loans

are offered as term loans with the maximum tenure at 120 months. These loans are normally offered on a floating rate basis.

HDB provides loan against the following Collaterals as Security

- Commercial / Residential Property
 - Cars/Automobiles
 - Shares
 - Marketable Securities such as Bonds
 - Gold Jewellery
-
- **Commercial Vehicle Loans** – HDB provides loans for purchase of new and Used Commercial Vehicles

Fee Based Products

- Insurance Services – HDB is a corporate agent for HDFC Standard Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited. HDB sells Insurance bundled with its Loan as a value-add as well as a standalone product. Insurance in India has been traditionally bought by Mass Affluent segment for “Tax Deferment” and long term savings. The company believes that its target segment has a huge appetite for traditional risk cover policies.

Services Business

- BPO Services - HDB has a contract from HDFC Bank to run BPO services for Collections at Call centres and collect from overdue customers of HDFC Bank. Accordingly, HDB has set up call centres across the country with a capacity of over 1700 seats. These centers collect for the entire gamut of retail lending products of HDFC Bank. HDB offers end to end collection services in over 200 towns through its calling and field support teams.
- **Infrastructure:** The Company has 195 branches in 149 cities 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.

Key Operational and Financial parameters:**Rs in Crs**

Parameters	Up to half year ended 30/09/12	FY 31.03.12 Audited	FY 31.3.11 Audited	FY 31.3.10 Audited
For Financial Entities				
Networth	807	771	719	101
Total Debt	4708	3151	669	450
of which – Non Current Maturities of Long Term Borrowing	3073	1785	334	258
- Short Term Borrowing	206	166	1	40
- Current Maturities of Long Term Borrowing	1429	1200	334	152
Net Fixed Assets	12	12	10	10
Non Current Assets	4214	3103	931	438
Cash and Cash Equivalents	148	18	168	13
Current Investments	0	0	30	0
Current Assets	1413	936	355	112
Current Liabilities	206	101	91	14
Assets Under Management	5511	3964	1260	534
Off Balance Sheet Assets	24	28	0	0
Interest Income	394	431	178	60
Interest Expense	208	170	47	22
Provisioning & Write-offs	22	40	21	4
PAT	36	51	16	10
Gross NPA (%)	0.27%	0.10%	0.33%	0.96%
Net NPA (%)	0.17%	0.05%	0.18%	0.48%
Tier I Capital Adequacy Ratio (%)	13.48%	18.94%	54.72%	17.87%
Tier II Capital Adequacy Ratio (%)	5.50%	1.00%	0.48%	0.00%

Gross Debt: Equity Ratio of the
Company:-

Before the issue of debt securities	6.08 times
After the issue of debt securities	6.26 times

Key Strengths of the Company:

Access to Cost Effective Funding: The Company has access to cost effective funding because of its AAA rating from CARE and AAA/Stable from CRISIL, 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 0.10% and Net NPAs are at 0.005% as of 31st March 2012.

Business Prospects:

The Company is confident that the Year 2012-13 will bring reasonable growth.

Focus on addressing supply bottlenecks in Agriculture, energy, transport is likely to create large opportunities for private sector investment. Introduction of new technology in farming and agro-processing, and setting up of warehouses and cold chains can do wonders for this sector and NBFCs play a vital role by lending/financing for the agriculture, Infrastructure and transport sectors.

The Government in its budget has taken several measures to boost investment such as SME India sector Opportunities fund and duty cuts in some selected sectors. The development of Micro, Small and Medium Enterprises (MSMEs) will in turn bring growth to NBFCs as MSMEs are dependent on NBFCs for project financing and Working Capital.

Deepening of financial markets especially corporate bonds market and attracting foreign long term investment flows for infrastructure projects are likely to happen in future.

With the government's initiative to boost infrastructure projects, NBFCs can also look for growth in Commercial Equipment funding.

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

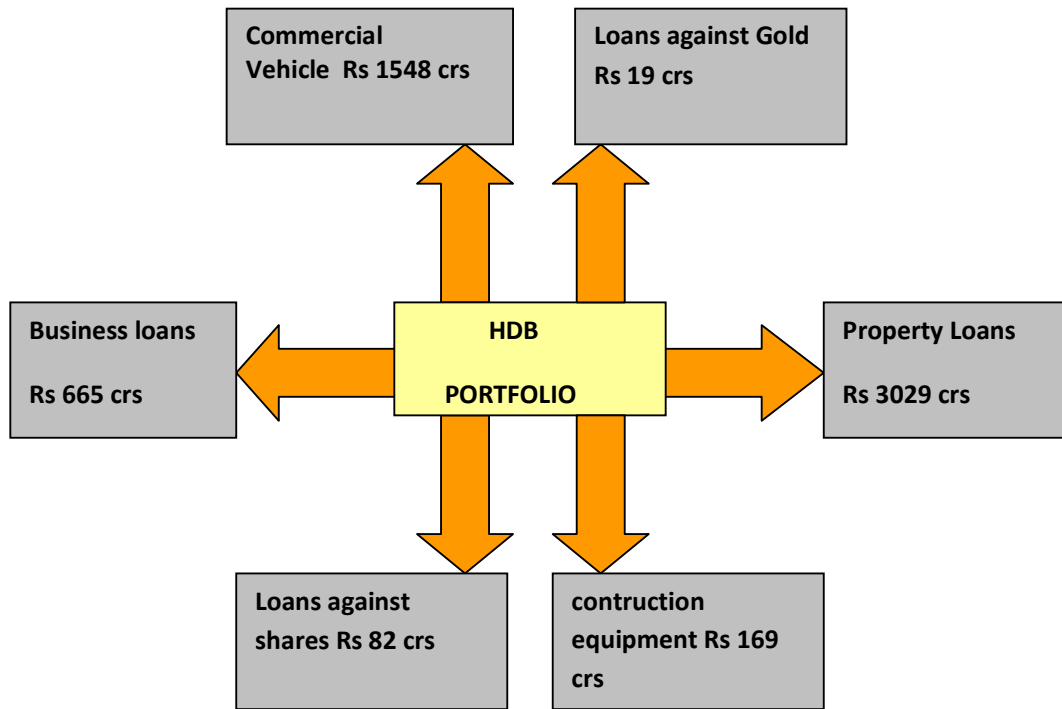
Business Strategy:

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.

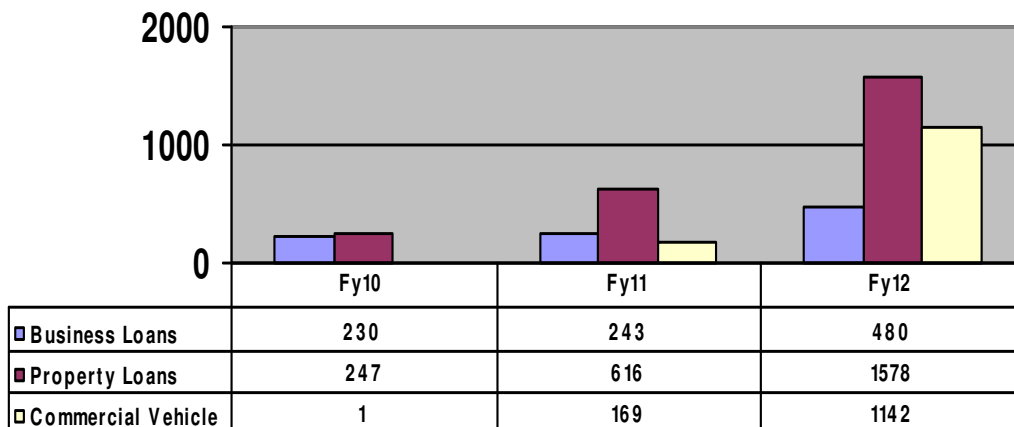
The company's business strategy emphasizes the following:

- Develop and provide personalized solutions for its target segment that address specific needs of customers
- Identify new product / market opportunities that build economies of scale
- Expand Distribution to new markets
- 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



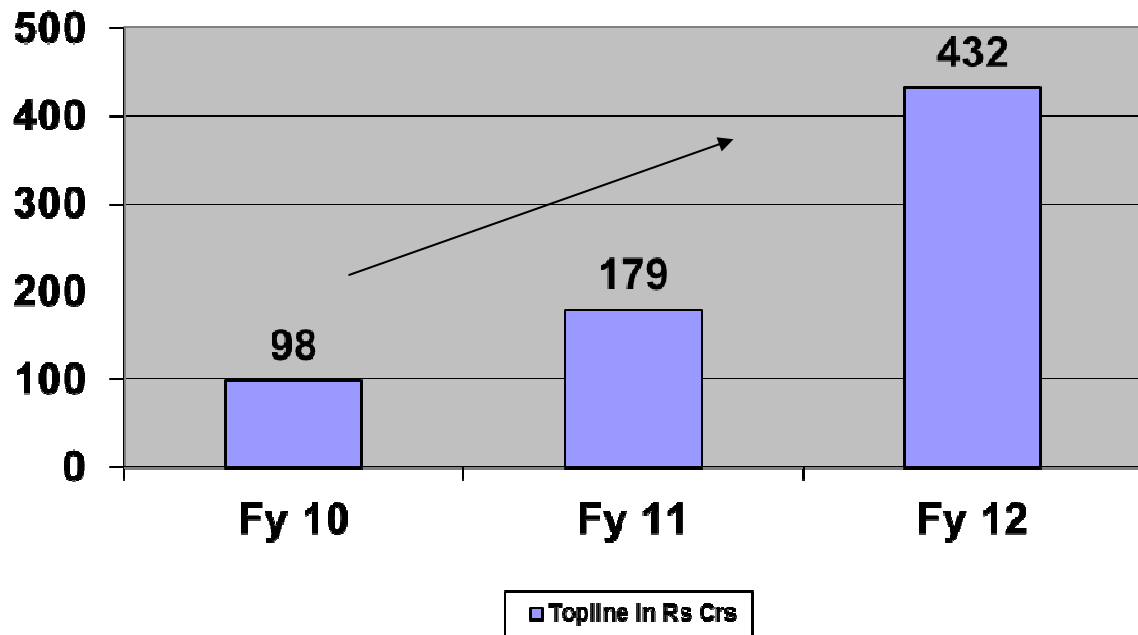
Total Asset size of Rs 5512 crs as on 30th September 2012 depicted in the above diagram

Disbursements in last three years (In Rs crs)

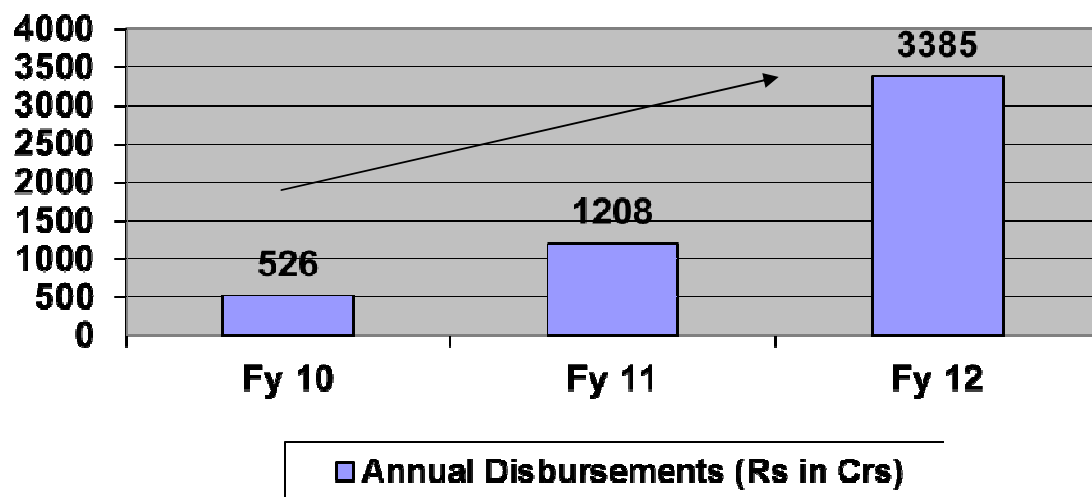


■ Business Loans
 ■ Property Loans
 ■ Commercial Vehicle

Growth in Top line in last three years



Disbursement trend in Last three years



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

5.1 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 97.41% as on 31st March 2012. 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 Cr 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

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

5.2 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 last quarter end March 31, 2012

Share Capital	Rs
Authorized Share Capital	10,000,000,000
1,000,000,000 Equity Shares of Rs.10 each	
Issued, Subscribed and Paid-up Share Capital	
410,605,600 Equity Shares of Rs.10 each	4,106,056,000

(ii) Changes in its capital structure as on last quarter end March 31, 2012 for the last five years:-

Date of Change (AGM/EGM)	Rs	Particulars
31/12/2007	5,00,00,000	permitted maximum ESOPs company (including premium if any) can grant over a period of time)
31/05/2010	4,53,00,000	permitted maximum ESOPs company (including premium if any) can grant over a period of time (in supersession of resolution passed on 31.12.2007.
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)

(iii) **Equity Share Capital History of the Company as on last quarter end, for the last five years:-**

Date of Allotment	No. of Equity Shares	Face Value (Rs)	Consideration (Cash, 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	NA	10	Initial Subscription to Memorandum and Articles of Association	70000	700000	0	-
31/8/2008	4500000	10	NA	10	Subscribed by HDFC Bank to be promoter of the company	4570000	45700000	0	-
12/1/2008	7325000	10	NA	10	Subscribed by HDFC Bank	11895000	118950000	0	-
12/1/2008	4872000	10	NA	10	Subscribed by employees of HDFC Bank	16767000	167670000	0	-
31/3/2008	88175000	10	NA	10	Subscribed by HDFC Bank	104942000	1049420000	0	-
23/7/2008	65000	10	NA	10	Subscribed by Ex Director	105007000	1050070000	0	-
15/6/2010	100000000	10	NA	15	Subscribed by HDFC Bank	2050070000	2050070000	0	-
15/12/2010	125000	10	NA	10	ESOP vesting	205132000	2051320000	0	-
30/3/2011	205132000	10	NA	22	Rights issue 1:1	410264000	4102640000	2461584000	-
07/07/2011	90000	10	NA	10	ESOP Vesting	410354000	4103540000	0	-
01/11/2011	175000	10	NA	10	ESOP	4105290000	4105290000	0	-

1					Vesting	2900 0			
01/11/2011	76600	10	NA	17.50	ESOP Vesting	4106 0560 0	4106056000	24621 58500	-
21/06/2012	20000	10	NA	10	ESOP Vesting	4106 2560 0	4106256000	0	-
21/06/2012	8000	10	NA	17.50	ESOP Vesting	4106 3360 0	4106336000	24622 18500	-

5.3 Details of any Acquisition or Amalgamation in the last 1 year. – **NA**

5.4 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

5.5 Details of the shareholding of the Company as on the latest quarter end September 30, 2012:-

a. Shareholding pattern of the Company as on last quarter end i.e. September 30, 2012:-

Sr No	Particulars	Total No of Equity Shares	No of shares in demat form	Total Shareholding as % of total no of equity shares
1	HDFC Bank	400000000	400000000	97.41%
2	Others	10633600	10633600	2.59%

Notes: - Shares pledged or encumbered by the promoters (if any) **NA**

b. List of top 10 holders of equity shares of the Company as on the latest quarter end i.e. September 30, 2012:-

Sr No	Name of Shareholder	Total Number of Equity Shares	No. of shares in demat form	Total Shareholding as % of total no of equity shares
1	HDFC Bank	400,000,000	400,000,000	97.41
2	HDB Employees Welfare Trust	7,35,300	7,35,300	0.18%
3	Aditya Puri	6,56,740	6,56,740	0.16%

4	Harish Engineer	2,73,640	2,73,640	0.07%
5	Paresh Sukhtankar	2,30,000	2,0,000	0.06%
6	Pralay Mondal	1,97,020	1,97,020	0.05%
7	Abhay Aima	1,80,000	1,80,000	0.04%
8	Gouri V Yennemadi	1,75,000	1,75,000	0.04%
9	Kaizad Manek Bharucha	1,64,183	1,64,183	0.04%
10	Jimmy M Tata	1,64,183	1,64,183	0.04%

5.6 Following details regarding the directors of the Company:-

a. Details of the current directors of the Company*

Name, Designation and DIN	Age	Address	Director of the Company since	Details of other directorship
Mr. G. Subramanian, Director, 00712803	65	Flat no 1&2 Plot No 12 F Lane, Sector-8 Vashi, Navi Mumbai 400 703	04.06.2007	1. Computer Age Management Services Pvt. Ltd. 2. Vayana Enterprises Private Limited 3. Atlas Documentary Facilitators Company Pvt. Ltd.
Mr. Kaizad Bharucha, Director, 02490648	47	401, Buena Vista, St. Alexious Road, Bandra (West), Mumbai – 400050	13.01.2009	1. International Asset Reconstruction Company Pvt. Ltd. 2. HBL Global Pvt. Ltd.
Mr. Anil Jaggia, Director, 00317490	51	Flat No. 1801, Tower B, Beaumonde Apts., Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025	23.12.2011	Nil
Mr. G. Ramesh, Managing Director, 05291597	43	C -101, Ashok Gardens, Tokersey Jivraj Road, Sewree, Mumbai 400015	01/07/2012	Nil

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

b. 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. Aseem Dhru, Director, 01761455	31/08/2007 / 10/06/2011 (Retirement)	31/08/2007	-
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	-	-

5.7 Following details regarding the auditors of the Company:-

a. Details of the auditor of the Company:-

Name	Address	Auditor since
M/s Haribhakti & Co, Chartered Accountants	701, Leela Business Park, Opposite Leela Galleria, Andheri Kurla Road, Andheri East. Mumbai – 400059	2007

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

Name	Address	Date of Appointment / Resignation	Auditor of the Company since (in case of resignation)	Remarks
NA	NA	NA	NA	NA

5.8 Details of borrowings of the Company, as on the latest quarter end September 30, 2012:-

a. Details of Secured Loan Facilities:-

(In Rs Crs)

Lender's Name	Type of Facility	Amt Sanctioned	Principal amt outstanding	Repayment Schedule	Security Unavailed Limit
Andhra Bank	Term loan	200	167	10 quarterly installments	0
Bank Of India 2	Term loan	75	27	4 quarterly installments	0
Bank Of India 3	Term loan	100	65	7 quarterly installments	0
Bank Of Maharashtra	Term loan	100	80	8 quarterly installments	0
Bank Of Maharashtra 2	Term loan	100	50	12 quarterly installments	50
Canara Bank	Term loan	100	8	1 quarterly installments	0
Indian Overseas Bank	Term loan	300	250	10 quarterly installments	0
IndusInd Bank	Term loan	200	174	10 quarterly installments	0
J & K Bank	Term loan	400	367	11 quarterly installments	0
Karur Vysya Bank	Term loan	50	40	8 quarterly installments	0
Punjab National Bank	Term loan	200	109	6 quarterly installments	0
State bank of bikaner & jaipur	Term loan	200	180	9 quarterly installments	0
South Indian Bank	Term loan	100	95	19 quarterly installments	0
State Bank Of Mysore	Term loan	150	120	8 quarterly installments	0
State Bank Of Patiala	Term loan	100	90	8 quarterly installments	0
State Bank Of Patiala	Term loan	50	30	8 quarterly installments	0
Syndicate Bank	Term loan	500	417	10 quarterly installments	0
Syndicate Bank 2	Term loan	500	100	12 quarterly installments	400

Vijaya Bank	Term loan	150	138	11 quarterly installments	0
Yes Bank	Term loan	75	50	8 quarterly installments	0
Union Bank Of India	Term loan	200	200	10 quarterly installments	0
HDFC Bank 1	Term loan	100	9	1 quarterly installments	0
HDFC Bank 2	Term loan	100	18	2 quarterly installments	0
HDFC Bank 3	Term loan	200	91	5 quarterly installments	0
HDFC Bank 4	Term loan	175	96	6 quarterly installments	0
HDFC Bank 5	Term loan	300	282	10 quarterly installments	0
Total		4725	3252		450

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:-

Debenture Series	Tenor / Period of Maturity	Coupon (%)	Amount (Rs. In crores)	Date of Allotment	Redemption Date/ Schedule	Credit Rating	Secured /unsecured	Security
2011 A/1/1	25/11/2013	10.25	60	26/11/2011	60	AAA by CARE	Secured	Immovable property & receivables
2011 A/1/2	09/12/2014	10.3	90	9/12/2011	90	AAA by CARE	Secured	Immovable property & receivables

2011 A/0/3	29/12/2014	10.00	58	30/12/11	58	AAA by CARE	Secured	Immovable property & receivables
2012 A/1/4	11/01/2017	9.95	135	11/1/2012	135	AAA by CARE	Secured	Immovable property & receivables
2012 A/1/5	2/2/2015	9.78	15	7/2/2012	15	AAA by CARE	Secured	Immovable property & receivables
2012 A/0/6	2/09/2015	9.80	30	18/2/2012	30	AAA by CARE	Secured	Immovable property & receivables
2012 A/0/7	30/4/2014 & 13/3/2015	9.95	50	26/3/2012	50	AAA by CARE	Secured	Immovable property & receivables
2012 A/1/8	17/4/2017	9.90	45	19/4/2012	45	AAA by CARE	Secured	Immovable property & receivables
2012 A/0/9	30/3/2015	9.90	56	19/4/2012	56	AAA by CARE	Secured	Immovable property & receivables
2012 A/1/10	12/6/2017	10.10	90	11/6/2012	90	AAA by CARE	Secured	Immovable property & receivables
2012 A/1/11	29/6/2015	10.00	50	27/7/2012	50	AAA by CARE	Secured	Immovable property & receivables
2012 A/0/12	29/7/2015	10.00	100	27/7/2012	100	AAA by CARE	Secured	Immovable property & receivables
2012 B/1/13	07/09/2017	10.00	221	07/09/2012	221	AAA by CARE	Secured	Immovable property & receivables
2012 A/1/14	9/10/2017	9.71	150	09/10/2017	150	AAA by CARE	Secured	Immovable property & receivables

2012 A/1/15	30/10/2015	9.43	150	1/11/2012	150	AAA by CARE	Secured	Immovable property & receivables
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d. Details of private placements of Subordinate Bonds

Details of Private Placement of Subordinate Bonds are provided below:

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	09/8/2022	10.20	250	09/8/2012	250	AAA	Unsecured	Nil

e. List of Top 10 Debenture Holders (as on November 16, 2012)

Sr. No.	Name of Debenture Holders	Amount
1	LIFE INSURANCE CORPORATION OF INDIA	2210000000
2	JPMORGAN INDIA ACTIVE BOND FUND	1160000000
3	JPMORGAN INDIA INCOME FUND - SERIES 301	870000000
4	RELIANCE VENTURES LIMITED	750000000
5	DSP BLACKROCK SHORT TERM FUND	400000000
6	HDFC TRUSTEE COMPANY LIMITED A/C HIGH INTEREST FUND SHORT TERM PLAN	350000000
7	JPMORGAN INDIA FIXED MATURITY PLAN - SERIES 502	340000000
8	HDFC TRUSTEE COMPANY LTD - HDFC SHORT TERM PLAN	300000000
9	SBI SHORT HORIZON DEBT FUND - SHORT TERM FUND	300000000
10	BIRLA SUN LIFE TRUSTEE COMPANY PRIVATE LIMITED A/C BIRLA SUN LIFE FIXED TERM PLAN - SERIES EH	290000000

Note: Top 10 holders' (in value terms, on cumulative basis for all outstanding debentures issues) details should be provided.

f. List of Top Ten Subordinate Bondholders as on 16/11/12:

SR NO.	NAME	AMOUNT
1	RURAL POSTAL LIFE INSURANCE FUND A/C UTI AMC	250000000
2	POSTAL LIFE INSURANCE FUND A/C UTI AMC	300000000
3	RURAL POSTAL LIFE INSURANCE FUND A/C SBIFMPL	150000000
4	POSTAL LIFE INSURANCE FUND A/C SBIFMPL	200000000
5	Max Life Insurance Company Limited A/c - ULIF00225/06/04LIFEBALANC104 - Balanced Fund	100000000
6	JPMORGAN INDIA ACTIVE BOND FUND	300000000
7	NPS TRUST- A/C LIC PENSION FUND SCHEME - CENTRAL GOVT	100000000
8	NPS TRUST- A/C UTI RETIREMENT SOLUTIONS PENSION FUND SCHEME - CENTRAL GOVT	100000000
9	NPS TRUST- A/C LIC PENSION FUND SCHEME - STATE GOVT	145000000
10	NPS TRUST- A/C UTI RETIREMENT SOLUTIONS PENSION FUND SCHEME - STATE GOVT	100000000
11	ICICI LOMBARD GENERAL INSURANCE COMPANY LTD	500000000
12	BOARD OF TRUSTEES M .S. R.T.C. CPF	100000000

5.9 The amount of corporate guarantee issued by the Issuer along with name of the counterparty (like name of the subsidiary, JV entity, Group Company etc) on behalf of whom it has been issued - **NA**

5.10 Details of Commercial Paper:- The total Face Value of Commercial Papers Outstanding as on the latest quarter end to be provided and its breakup in following table:-

Maturity Date	Amt Outstanding
06/03/2013	500000000
21/12/2012	500000000
03/12/2012	250000000
06/12/2012	250000000

5.11 Details of Rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares) as on September 30, 2012:-

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	Security
NA	NA	NA	NA	NA	NA	NA	NA

5.12 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**

5.13 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**

5.14 Details of Promoters of the Company:-

a. Details of Promoter Holding in the Company as on the latest quarter end September 30, 2012:-

Sr No	Name of the shareholders	Total No of Equity Shares	No of shares in demat form	Total shareholding as % of total no of equity shares	No of Shares Pledged	% of Shares pledged with respect to shares owned.
1	HDFC Bank Ltd.	400000000	400000000	97.41%	Nil	Nil

5.15 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. * **NA**

5.16 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. * **NA**

5.17 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**

- 5.18** Details of the Subordinate Bond trustee(s) are as mentioned above and they have given their consent to act as Subordinate 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.
- 5.19** 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.
- 5.20** 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**
- 5.21** Copy of consent letter from the Subordinate Bond Trustee is obtained.
- 5.22** 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**
- 5.23 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.

* Issuer shall provide latest Audited or Limited Review Financials in line with timelines as mentioned in Simplified Listing Agreement issued by SEBI vide circular No.SEBI/IMD/BOND /1/2009/ 11/05 dated May 11, 2009 as amended from time to time , for furnishing / publishing its half yearly/ annual result.

5.24 BUSINESS ORGANIZATION

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.

5.25 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, 2012, 2011, 2010, 2009, 2008, and 2007 and the Auditors' Report thereon.
- (v) Certified true copy of Board Resolution dated April 13, 2012, authorizing the issue of private placement of Subordinate Bonds.
- (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)(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 10, 2011 appointing Messrs Haribhakti & Company, Chartered Accountants as Statutory Auditors of the Company.
- (viii) Copy of letter from Care Ratings dated June 29, 2012 assigning CARE AAA and letter dated June 28, 2012 assigning CRISIL AAA/Stable by CRISIL for the Subordinate Bonds issued/to be issued by the Company under this document.
- (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 Datamatics and Central Depository Securities Limited.
- (xi) Copy of the Master Trust deed dated July 17, 2012 between the Company and the Subordinate Bond Trustee.

5.26 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.

5.27 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.

5.28 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.

6. CONSENT FROM THE EXISTING LENDERS

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

7. TERMS PERTAINING TO THE ISSUE

7.1 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 1 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.

7.2 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, 2012 was 19.94% 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, 2012	March 31, 2011	March 31, 2010
Capital Funds			
Tier I Capital	755.59	718.48	98.57
Tier II Capital	40.00	6.32	0.00
Total Capital Fund	795.59	724.80	98.57
Risk Weighted Asset and Contingents	3988.37	1313.13	551.45
Capital Adequacy Ratio (%)	19.95%	55.20%	17.87%
Risk Weighted Assets and contingents	18.94%	54.71%	17.87%
Capital Adequacy Ratio (%)	1.00%	0.48%	0.00%

7.3 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 Shelf Memorandum of Information.

7.4 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. 150 Crores of Unsecured Redeemable Non-Convertible Subordinate Bonds on a Private Placement Basis under 2012 Series I/1/2. The detailed term sheet of the Subordinate Bond Issue of Rs.150 crores is given in 7.5.

7.5 DETAILS OF THE ISSUE SIZE

The Company proposes to issue 1500 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 issue) aggregating Rs. 150 Crores. The detailed term sheet of the Subordinate Bond Issue of Rs.150 crores is given in 7.5.

7.6 BROAD TERMS OF THE ISSUE OF SUBORDINATE BONDS 2012 SERIES I/1/2

- a. Summary term sheet shall be provided which shall include at least following information (where relevant) pertaining to the Secured / Unsecured Non Convertible debt securities (or a series thereof):-

Security Name	HDB/9.70%/Annual/2022
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 Subordinate 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'
Issue Size	Rs.150 crores
Option to retain oversubscription (Amount)	No
Objects of the Issue	Please refer clause 7.2
Details of the utilization of the Proceeds	Please refer clause 7.2
Coupon Rate	9.70%
Step Up/Step Down Coupon Rate 1	NA
Coupon Payment Frequency	Annually
Coupon payment dates	30/11/2013, 30/11/2014, 30/11/2015, 30/11/2016, 30/11/2017, 30/11/2018, 30/11/2019, 30/11/2020, 30/11/2021 & on maturity i.e. 30/11/2022
Coupon Type	Fixed, coupon structure.
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc).	NA
Day Count Basis	Actual/ Actual
Interest on Application Money	9.70%
Default Interest Rate	2%
Tenor	120 Months from the Deemed Date of Allotment i.e.30/11/2012
Redemption Date	30/11/2022
Redemption Amount	Rs.1000000 per bond

Redemption Premium /Discount	NA
Issue Price	Rs.1000000/- per instrument
Discount at which security is issued and the effective yield as a result of such discount.	NA
Put option Date	NA
Put option Price	NA
Call Option Date	NA
Call Option Price	NA
Put Notification Time	NA
Call Notification Time	NA
Face Value	Rs 10 lakhs per instrument
Minimum Application and in multiples of ___ Debt securities thereafter	1 Subordinate Bond and in multiple of 1 Subordinate Bond thereafter
Issue Timing 1. Issue Opening Date 2. Issue Closing Date 3. Pay-in Date 4. Deemed Date of Allotment	November 26, 2012 November 29, 2012 November 26 to November 29, 2012 November 30, 2012
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	Thru RTGS/Bank
Depository	NSDL & CDSL
Business Day Convention ²	Working day
Record Date	15 days prior to each Coupon Payment / Put Option Date / Call Option Date / Redemption date.
Security (where applicable) (Including description, type of security, type of charge, likely date of creation of	NA

security, minimum security cover, revaluation, replacement of security).	
Transaction Documents ³	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	N/A (Not Applicable) in case clause is not there else full description of the clause to be provided
Role and Responsibilities of Subordinate Bond Trustee	As per 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.

Notes:

1. If there is any change in Coupon Rate rate pursuant to any event including elapse of certain time period or downgrade in rating, then such new Coupon Rate and events which lead to such change should be disclosed.
 2. The procedure used to decide the dates on which the payment can be made and adjusting payment dates in response to days when payment can't be made due to any reason like sudden bank holiday etc., should be laid down.
 3. The list of documents which has been executed or will be executed in connection with the issue and subscription of debt securities shall be annexed.
- b. In privately placed issues, additional Covenants shall be included as part of the Issue Details on the following lines, as per agreement between the issuer and investor:
- i) Security Creation (where applicable): In case of delay in execution of Trust Deed and Charge documents, the Company will refund the subscription with agreed rate of interest or will pay penal interest of atleast 2% p.a. over the coupon rate till these conditions are complied with at the option of the investor.
 - ii) Default in Payment: In case of default in payment of Interest and/or principal redemption on the due dates, additional interest of atleast @ 2% p.a. over the coupon rate will be payable by the Company for the defaulting period.
 - iii) Delay in Listing: In case of delay in listing of the debt securities beyond 20 days from the deemed date of allotment, the Company will pay penal interest of atleast 1 % p.a. over the coupon rate from the expiry of 30 days from the deemed date of allotment till the listing of such debt securities to the investor.

- iv) The interest rates mentioned in above three cases are the minimum interest rates payable by the Company and are independent of each other.”
- v) 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 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.

7.7 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

7.8 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 Subordinate 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 Subordinate Bonds.

7.9 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 2012 Series I/1/2 carry a coupon at a rate of 9.70% p.a, payable annually
Redemption Date	November 30, 2022
Settlement	Payment of interest and principal will be made by way of cheque(s)/ interest warrant(s)/ demand draft(s)/ credit through RTGS system.

7.10 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 2012 Series I/1/2 issued under this Offer document will be allotted on November 30, 2012.

(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, fall on a Saturday, Sunday or a public holiday, the next working day shall be considered as the effective date(s). 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.

(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 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.

The Company reserves the right to appoint any other SEBI Registered trustee.

(xvi) 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.

(xvii) 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.

(xviii) 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.

(xix)

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.

(xx) 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.

(xx) 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.

(xxi) 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.

(xxii) 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.

(xxiii) 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.

(xiv) DISCOUNT ON THE OFFER PRICE

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

(xv). DEBT EQUITY RATIO

			2011-12	2010-11	2009-10
Debt equity ratio			4.10	0.93	4.41

(xvi) 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.

(xvii) RATING RATIONALE ADOPTED BY RATING AGENCIES

Copy of letter from Care Ratings dated June 29, 2012 assigning CARE AAA and letter dated June 28, 2012 assigning CRISIL AAA/Stable by CRISIL for the Subordinate Bonds issued/to be issued by the Company under this document.. The rating rational is attached as Annexure II.

(xviii) 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.

(xix) SUBORDINATE BOND TRUST DEED

The Subordinate Bonds to be issued under the terms of this Information memorandum shall be governed by the terms of the Subordinate Bond Trust Deed dated July 17, 2012 executed by and between the Company and the Subordinate Bond Trustee. A copy of the Subordinate Bond trustee deed is available with the Subordinate Bond trustee at its office in Mumbai. The Company confirms that the present issue of Subordinate Bonds being first Series is within the overall limit of Rs.400 Crores as fixed under the Subordinate Bond Trust Deed.

(xx) SENIORITY OF CLAIM

The claims of the investor in Tier 2 Bonds shall be

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

8. APPLICATION PROCESS

8.1 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.

8.2 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 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.

8.3 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.

8.4 ISSUE PROGRAMME

ISSUE DATE	OPENING	November 26, 2012
ISSUE DATE	CLOSING	November 29, 2012
DATE OF ALLOTMENT		November 30, 2012

The Company reserves the right to change the Issue programme, including the 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.

8.5 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,
Address of Bank	Maneckji Wadia Building, Fort, Mumbai 400023
IFSC Code	HDFC0000060
Account number	00600310011994
Type of Account	Current
Name of beneficiary	HDB Financial Services Limited
Name of Account	HDB Financial Services Limited

8.6 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.

8.7 BASIS OF ALLOTMENT

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

8.8 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.

8.9 DISPATCH OF REFUND ORDERS

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

8.10 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

9.1 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.

9.2 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.

9.3 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.

9.4 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.

9.5 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.

9.6 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.

9.7 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.

9.8 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.

9.9 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.

9.10 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.

9.11 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 0.10 % and 0.33 % as of March 31, 2012 and March 31, 2011 respectively, while our Net NPAs as a percentage of Net Loan Assets were 0.05 % and 0.18 % as of March 31, 2012 and March 31, 2011, 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.

9.12 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, 2012. Our capital adequacy ratio computed on the basis of applicable RBI requirements was 19.94 % as of March 31, 2012, with Tier I capital comprising 18.95 %. 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.

9.13 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.

9.14 *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.

9.15 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.

9.16 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.

9.17 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.

9.18 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.

9.19 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.

9.20 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

- a. Summary term sheet shall be provided which shall include at least following information (where relevant) pertaining to the Secured / Unsecured Non Convertible debt securities (or a series thereof):-

Security Name	HDB/9.70%/Annual/2022
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 Subordinate 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’
Issue Size	Rs.150 crores
Option to retain oversubscription (Amount)	No

Objects of the Issue	Please refer clause 7.2
Details of the utilization of the Proceeds	Please refer clause 7.2
Coupon Rate	9.70%
Step Up/Step Down Coupon Rate 1	NA
Coupon Payment Frequency	Annually
Coupon payment dates	30/11/2013, 30/11/2014, 30/11/2015, 30/11/2016, 30/11/2017, 30/11/2018, 30/11/2019, 30/11/2020, 30/11/2021 & on maturity i.e. 30/11/2022
Coupon Type	Fixed, coupon structure.
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc).	NA
Day Count Basis	Actual/ Actual
Interest on Application Money	9.70%
Default Interest Rate	2%
Tenor	120 Months from the Deemed Date of Allotment i.e.30/11/2012
Redemption Date	30/11/2022
Redemption Amount	Rs.1000000 per bond
Redemption Premium /Discount	NA
Issue Price	Rs.1000000/- per instrument
Discount at which security is issued and the effective yield as a result of such discount.	NA
Put option Date	NA
Put option Price	NA

Call Option Date	NA
Call Option Price	NA
Put Notification Time	NA
Call Notification Time	NA
Face Value	Rs 10 lakhs per instrument
Minimum Application and in multiples of ___ Debt securities thereafter	1 Subordinate Bond and in multiple of 1 Subordinate Bond thereafter
Issue Timing 1. Issue Opening Date 2. Issue Closing Date 3. Pay-in Date 4. Deemed Date of Allotment	November 26, 2012 November 29, 2012 November 26 to November 29, 2012 November 30, 2012
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	Thru RTGS/Bank
Depository	NSDL & CDSL
Business Day Convention ²	Working day
Record Date	15 days prior to each Coupon Payment / Put Option Date / Call Option Date / Redemption date.
Security (where applicable) (Including description, type of security, type of charge, likely date of creation of security, minimum security cover, revaluation, replacement of security).	NA
Transaction Documents ³	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	N/A (Not Applicable) in case clause is not there else full description of the clause to be provided
Role and Responsibilities of Subordinate Bond Trustee	As per 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.

Notes:

1. If there is any change in Coupon Rate rate pursuant to any event including elapse of certain time period or downgrade in rating, then such new Coupon Rate and events which lead to such change should be disclosed.
 2. The procedure used to decide the dates on which the payment can be made and adjusting payment dates in response to days when payment can't be made due to any reason like sudden bank holiday etc., should be laid down.
 3. The list of documents which has been executed or will be executed in connection with the issue and subscription of debt securities shall be annexed.
- b. In privately placed issues, additional Covenants shall be included as part of the Issue Details on the following lines, as per agreement between the issuer and investor:
- i) Security Creation (where applicable): In case of delay in execution of Trust Deed and Charge documents, the Company will refund the subscription with agreed rate of interest or will pay penal interest of atleast 2% p.a. over the coupon rate till these conditions are complied with at the option of the investor.
 - ii) Default in Payment: In case of default in payment of Interest and/or principal redemption on the due dates, additional interest of atleast @ 2% p.a. over the coupon rate will be payable by the Company for the defaulting period.
 - iii) Delay in Listing: In case of delay in listing of the debt securities beyond 20 days from the deemed date of allotment, the Company will pay penal interest of atleast 1 % p.a. over the coupon rate from the expiry of 30 days from the deemed date of allotment till the listing of such debt securities to the investor.
 - iv) The interest rates mentioned in above three cases are the minimum interest rates payable by the Company and are independent of each other."

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 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 .

For HDB Financial Services Limited

Authorised Signatory

Date : November 21, 2012

ANNEXURE I – APPLICATION FORM

Application No:
The Compliance Officer
HDB Financial Services Limited.

Date:_____, 2012

Dear Sirs,

Having read and understood the contents of the Information Document / Disclosure Document dated 13.04.2012 and the term sheet dated, we apply for allotment of the Subordinate Bonds to us. The amount payable on application as shown below is remitted herewith. On allotment, please place our name(s) on the Register of Subordinate Bond holder(s). We bind ourselves to the terms and conditions as contained in the Information Document / Disclosure Document.

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

Subordinated Bonds Series	2012 Series I/1/2
No. of Subordinate Bonds applied (in figures)	
No. of Subordinate Bonds applied (in words)	
Amount(Rs. in figures)	
Amount (Rs. in words)	
Cheque/Demand Draft/RTGS Details	
Date	
Drawn on Bank	

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

		Pin Code:
Telephone:	Fax:	Email:
Status: Banking Company () Insurance Company () Others () – please specify		
Name of Authorised Signatory	Designation	Signature

Details of Bank Account

Bank Name & Branch	
Nature of Account	
Account No.:	
IFSC/NEFT Code	

Depository Details

DP Name			
DP ID		Client ID	

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

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

(Tear here)

ACKNOWLEDGEMENT SLIP

Application No: _____

Date: _____

Sub debt Series	
No. of Subordinate Bonds applied (in figures)	
No. of Subordinate Bonds applied (in words)	
Amount (Rs. in figures)	
Amount (Rs. in words)	
Cheque / DD/RTGS	

For all further correspondence please contact: The Compliance Officer, _____

Tel: _____

INSTRUCTIONS

1. Application must be completed entirely in English, using BLOCK LETTERS..
2. A signature can be made either in English or in any other Indian language.
3. Application forms duly completed in all respects, together with Cheques/Pay Order/Demand Draft, must be lodged at the _____'s Registered office.
4. In case of payments through RTGS, the payments may be made as follows:
Beneficiary : HDB Financial Services Limited
Bank Details :
Name of bank: HDFC Bank
Branch: Maneckji Wadia Building, Fort, Mumbai 400023
Account No. : 00600310011994
IFSC Code : HDFC0000060
5. The Cheque(s)/Demand Draft(s) should be drawn in favour of "_____" and crossed "A/c payee" only. Cheque(s)/Demand draft(s) may be drawn on any scheduled bank and payable at Mumbai.
6. Outstation cheques, cash, money orders, postal orders and stock invest will NOT be accepted.
7. As a matter of precaution against possible fraudulent encashment of interest warrants due to loss/misplacement, one is requested to mention the full particulars of the bank account, as specified in the application form.
8. Interest warrants will then be made out in favour of the bank for credit to one's account. In case the full particulars are not given, cheques will be issued in the name of the applicant at their own risk.
9. One should mention their Permanent Account Number or the GIR number allotted under Income-Tax Act, 1961 and the Income-Tax Circle/Ward/District. In case where neither the PAN nor GIR number has been allotted, the fact of non-allotment should be mentioned in the application form in the space provided.
10. The application would be accepted as per the terms of the issue outlined in the Information Document / Disclosure Document.

ANNEXURE II - RATING RATIONALE

ANNEXURE III
SUBORDINATE BOND CERTIFICATE

HDB FINANCIAL SERVICES LIMITED

Registered Office: Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad – 380009
Corporate Office: Madhusudan Estate, Ground Floor, Pandurang Budhkar Marg, Lower Parel (West),
Mumbai – 400013

Issue of 2500 UNSECURED LISTED REDEEMABLE NON-CONVERTIBLE SUBORDINATE BONDS (Subordinate Bonds) of the face value of Rs. 10,00,000 /- (Ten Lacs only) each, of the aggregate nominal value of Rs. 250 crores (Rupees Two Hundred and Fifty crores only) and all ranking *pari passu inter se* made under the authority of the Memorandum and Articles of Association of the Company and a resolution passed by the Board of Directors of the Company at their meeting held on 13/04/2012 in respect of issuance of Subordinate Bonds to the holders of Subordinate Bonds as mentioned below.

JUMBO SUBORDINATE BOND CERTIFICATE

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

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

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

Reg. Folio No. : Certificate No. 1

Name(s) of the Holder(s): 22 holders as per list attached

No. of Subordinate Bond (s) : 2500

Distinctive No. (s) : 1-2500

This Subordinate Bonds are issued in terms of the Subordinate Bonds Trust Deed dated the 17th day of July, 2012 (hereinafter referred to as "the Trust Deed") entered into between the Company and IDBI Trusteeship Services Ltd. (ITSL) having its registered office at Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai-400 001 as Trustees (hereinafter referred to as "the Trustees") (which expression includes its successors and permitted assigns under the Trust Deed) and the information memorandum dated 24/07/2012 (hereinafter the "Information Memorandum"). The Trustees will act as Trustees for the holders for the time being of the Subordinate Bonds (hereinafter referred to as "the Subordinate Bonds Holders") in accordance with the provisions of the Trust Deed whereby all remedies for the recovery of the principal amount and interest are vested in the Trustees on behalf of the Subordinate Bonds Holders. The Subordinate Bonds Holders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Trust Deed.

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

Given under the Common Seal of the Company this _____ day of _____.

For HDB Financial Services Limited

Director

Director

Authorised Signatory

Company CIN: U65993GJ2007PLC051028

ANNEXURE IV – TRUSTEE CONSENT LETTER