

Corporate Governance disclosures as per Section 134 of the Companies Act, 2013

1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders and is guided by a strong emphasis on transparency, accountability and integrity.

During the year under review, your Company has adopted a Board approved Corporate Governance Code which will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure. The said Corporate Governance Code has been uploaded on the Company's website.

2. Board of Directors

During the year the Board met at regular intervals to discuss and decide on various business and policy matters of the Company. The meetings of the Board of Directors during the FY 2015 - 16 were held on April 17, 2015, July 15, 2015, October 16, 2015, January 15, 2016 and March 23, 2016. The Board of Directors, at its meeting held on October 16, 2015, noted the resignation of Mr. Anil Jaggia as a Non- Executive Director of the Company with effect from September 23, 2015.

The Board of Directors at their meeting held on April 14, 2016, appointed Mr. Aditya Puri (DIN: 00062650) as an Additional Non- Executive Director and Chairman of the Company w.e.f. May 01, 2016, pursuant to the provisions of Section 152 and 161 of the Companies Act, 2013. Subsequently, the Board of Directors, at its meeting held on April 26, 2016, appointed Mr. Bhavesh Zaveri (DIN: 01550468) and Mr. Jimmy Tata (DIN: 06888364) as Additional Non - Executive Directors of the Company with effect from May 01, 2016, in terms of Sections 152 and 161 of the Companies Act, 2013.

Consequent to the aforesaid, various committees of the Board shall be reconstituted as follows with effect from May 01, 2016:

#	Name of the Committee	Composition
1	Audit Committee	Mr. Venkatraman Srinivasan, Member Ms. Smita Affinwalla, Member Mr. Bhavesh Zaveri, Member
2	Risk Committee	Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Rohit Patwardhan, Member
3	Asset Liability Committee	Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Haren Parekh, Member
4	Nomination and Remuneration Committee	Ms. Smita Affinwalla, Member Mr. Venkatraman Srinivasan, Member Mr. Bhavesh Zaveri, Member Mr. Jimmy Tata, Member
5	Corporate Social Responsibility Committee	Mr. Bhavesh Zaveri, Member Ms. Smita Affinwalla, Member Mr. G Ramesh, Member
6	Share Allotment Committee	Mr. Bhavesh Zaveri, Member Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Haren Parekh, Member
7	Debenture Allotment Committee	Mr. Bhavesh Zaveri, Member Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Haren Parekh, Member
8	Bond Allotment Committee	Mr. Bhavesh Zaveri, Member Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Haren Parekh, Member

Directors' Report

The present strength of Board of Directors is five (5) Directors. The Board comprises of one (1) Executive and four (4) Non-Executive Directors including two (2) Independent Directors. One of the Independent Directors is a woman. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions. None of the Directors of your Company are related to each other.

The Directors of the Company have wide experience in the field of finance, risk management, banking and human resources.

The details of the Directors as at March 31, 2016, including the details of their other directorship and their shareholding are given below:

Name of the Director	Executive/Non-Executive/ Independent /Promoter	No. of other Directorships	No. of shares held in the Company
Mr. G Subramanian	Non-Executive	3	2,13,000
Mr. Kaizad Bharucha	Non-Executive	2	2,99,555
Mr. G Ramesh	Executive	Nil	3,81,500
Mr. Venkatraman Srinivasan	Independent	2	Nil
Ms. Smita Affinwalla	Independent	2	Nil

3. Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interest of the Company.

During the year under review the Board of Directors of your Company have approved the Related Party Transactions Policy, which governs the following:

- Identifying related parties, updating and maintaining the database of such persons/entities;
- Ascertaining that the transactions entered with the related parties are in 'ordinary course of business' and at 'arm's length basis';
- Identifying related party transactions;
- Obtaining approvals before entering into any related party transactions;
- Determining the disclosures / compliances to be adhered in relation to the related party transactions.

The said policy has been displayed on the website of the Company <http://www.hdbfs.com/policies.htm>

All related party transactions are placed before the Audit Committee as also the Board for their approval on quarterly basis. Transactions with related parties, as per the requirements of Accounting Standard 18, are disclosed to the notes to accounts annexed to the financial statements.

All the related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business.

4. Committees of the Board

Audit committee

Pursuant to the provisions of the Section 177 of the Companies Act, 2013, the Composition of the Audit Committee of the Company as on March 31, 2016 is as under:

- i. Mr. Venkatraman Srinivasan, Chairman (Independent Director)
- ii. Ms. Smita Affinwalla, Member (Independent Director)
- iii. Mr. G Subramanian, Member (Non Executive Director)

The Audit Committee has discussions with the auditors on periodical basis pertaining to the scope of audit including the observations of the auditors, reviews the audited/unaudited quarterly and annual financial statements before submission to the Board and also oversees compliance of internal control systems. Committee's responsibilities include:

- i. the recommendation for appointment, remuneration and terms of appointment of auditors
- ii. review & monitor the auditor's independence, and performance and effectiveness of audit process
- iii. examination of the financial statement and the auditors' report thereon.

Nomination and Remuneration Committee

During the year under review, the Nomination and Remuneration Committee (NRC) of the Board was reconstituted pursuant to the provisions of Section 178 of the Companies Act, 2013 as detailed under:

- i. Ms. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Venkatraman Srinivasan, Member (Independent Director)
- iii. Mr. G Subramanian, Member (Non Executive Director)
- iv. *Mr. Kaizad Bharucha, Member (Non Executive Director)
- v. *Mr. Anil Jaggia, Member (Non Executive Director)

**Note: Mr. Anil Jaggia ceased to be a member of the NRC effective September 23, 2015 and Mr. Kaizad Bharucha was inducted as a member effective January 15, 2016.*

Risk Committee

The Board of Directors of your Company monitors the risk management strategy of the Company through the Risk Committee consisting of the following members:

- i. Mr. G Subramanian, Chairman (Non Executive Director)
- ii. Mr. Kaizad Bharucha, Member (Non Executive Director)
- iii. Mr. G Ramesh, Member (Managing Director)

In addition to the above, the Company has in place exclusive risk function having dedicated team to monitor and mitigate the risks of the Company. This function is headed by an experienced and qualified person holding Head - Risk position who reports to the Managing Director of the Company.

During the year under review the Committee at its meeting held on January 15, 2016 approved Risk Management Policy of the Company.

In order to ensure best governance practices the Company has established risk management process for each line of its business and operations. These processes have been implemented through the specific policies adopted by the Board of Directors of the Company from time to time. Nevertheless, entire processes are subjected to robust independent internal audit review to arrest any potential risks and take corrective actions.

The Risk Committee of the Board has been in place since the commencement of business of the Company, meets on a quarterly basis and reports to the Board of Directors. The minutes of such meetings are tabled before the Board of Directors. The key responsibilities of the Risk Committee are:

- a) approve and monitor the Company's risk management policies and procedures;
- b) review portfolio and its delinquency at a product level;
- c) review the NPA Management policy;
- d) reporting to the Board of Directors of the Company on periodical basis on the above matters.

o Asset Liability Committee (ALCO)

The Board of Directors of your Company carries out asset liability management of the Company through the ALCO consisting of the following members:

- i. Mr. G Subramanian, Chairman (Non Executive Director)
- ii. Mr. Kaizad Bharucha, Member (Non Executive Director)
- iii. Mr. G Ramesh, Member (Managing Director)

The key responsibilities of the Committee are:

- i. Review and management of liquidity gaps and structural liquidity of the Company;
- ii. Review and management of interest rate sensitivity of the Company;
- iii. Develop a view on future direction on interest rate movements and decide on funding mixes.

o Corporate Social Responsibility (CSR) Committee

During the year under review the Board of Directors reconstituted Corporate Social Responsibility ('CSR') Committee in terms of Section 135 of the Companies Act, as detailed below:

- i. Mr. G Subramanian, Chairman (Non Executive Director)
- ii. Ms. Smita Affinwalla, Member (Independent Director)
- iii. *Mr. Kaizad Bharucha, Member (Non Executive Director)
- iv. *Mr. Anil Jaggia, Member (Non Executive Director)
- v. Mr. G Ramesh, Member (Managing Director)

Mr. Anil Jaggia ceased to be a member of the CSR Committee effective September 23, 2015 and Mr. Kaizad Bharucha was inducted as a member effective January 15, 2016.

The key responsibilities of the CSR Committee are:

- i. Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013;
- ii. Recommend the amount of expenditure to be incurred on the activities;
- iii. Institute a transparent monitoring mechanism for implementation of the CSR activities.

5. Attendance of the Board and its Committees

Type of meeting	No. of meetings held	Mr. G Subramanian	Mr. Kaizad Bharucha	Mr. Anil Jaggia*	Mr. G Ramesh	Mr. Venkatraman Srinivasan*	Ms. Smita Affinwalla*
Board of Directors	5	5	5	1	5	5	5
Audit Committee	4	4	4	NA	NA	4	4
Asset-Liability Committee	4	4	4	NA	4	NA	NA
Risk Committee	4	4	4	NA	4	NA	NA
Nomination and Remuneration Committee	4	4	NA	1	NA	3	4
Corporate Social Responsibility Committee	2	2	NA	1	2	NA	2
Debenture Allotment Committee	22	12	18	NA	18	NA	NA
Share Allotment Committee	2	2	2	NA	1	NA	NA
Attendance at last AGM	1	Yes	No	No	Yes	Yes	No

* Mr. Anil Jaggia ceased to be a Non - Executive Director of the Company effective September 23, 2015.

Sitting fees of ₹ 50,000/- per meeting was paid to all the Non Executive Directors of the Company for attending the meetings of Board of Directors and ₹ 25,000/- per meeting for attending the meetings of Audit Committee, Risk Committee, Asset Liability Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee of the Company.

6. Board Performance Evaluation Mechanism

The Nomination and Remuneration Committee (NRC) had approved a framework for performance evaluation of the Board of Directors, its Committees and the individual Board members. This performance evaluation framework was designed based on the following:

- Attendance of Board Meetings and Board Committee Meetings
- Quality of contribution to Board deliberations
- Strategic perspectives or inputs regarding future growth of Company and its performance

As part of the framework, structured questionnaires were prepared after taking into consideration the legal requirements, inputs received from the Directors and NRC. These questionnaires cover various aspects of the Board's functioning including composition and quality, culture, roles and responsibilities, processes and functioning, execution and performance to specific duties, obligations and governance. The questionnaires consist of:

- 'Self Assessment' form given by the directors, rating his/her own performance
- 'Peer Review' form given by the directors, rating performance of all other directors.
- 'Committee Evaluation' form given by the directors, rating performance of individual committees
- 'Board Self Assessment' form given by every director, rating performance of the Board as a whole

Responses received on the questionnaires from the Directors were reviewed in the below manner:

- 'Self Assessment' and 'Peer Review' were reviewed by the NRC and recommended to the Board for its review. Subsequently, the Board reviewed the same.
- 'Committee Evaluation' and 'Board Self Assessment' were reviewed by the Board.

After the review of the aforesaid questionnaires by the Board, Independent Directors of the Company, at their separate meeting had reviewed all the responses received from the Non Independent (Non Executive) Directors on the questionnaires pertaining to 'Self Assessment', 'Peer Review' and 'Board Self Assessment'.

7. General Body meetings (FY 2015-16)

Meeting	Date and Time	Venue	Resolutions passed
AGM	12 noon June 17, 2015	404, 4 TH Floor, Pushpak Landmark Building, Anandnagar, Satellite, Ahmedabad - 380 015	<ul style="list-style-type: none"> Approval of Audited Statement of Profit & Loss, Balance Sheet and Cash Flow for the year ended March 31, 2015 and Report of the Directors and Auditors thereon. Declaration of dividend @ 7% on equity shares for the year ended March 31, 2015. Re-appointment of Mr. Anil Jaggia, who retires by rotation and being eligible, offered himself for re-appointment. Ratification of appointment of M/s B S R & Co., LLP, Chartered Accountants as the Statutory Auditors. Appointment of Mr. Venkatraman Srinivasan as an Independent Director of the Company. Appointment of Ms. Smita Affinwalla as an Independent Director of the Company. Appointment of Mr. G Subramanian as Chairman of the Company and payment of remuneration thereof. Approval for Issuance of Secured Redeemable Non-Convertible Debentures (NCDs). Approval for Issuance of Unsecured Redeemable Non-Convertible Subordinated Bonds (Subordinated Bonds).
EGM	12 noon August 31, 2015	Board Room, Process House, 2 nd Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013	<ul style="list-style-type: none"> Approval of Issuance of Secured Redeemable Non-Convertible Debentures.

8. Shareholding pattern as at March 31, 2016

Name of Shareholder	No. of equity shares held	%
HDFC Bank Ltd.	68,00,00,000	97.12
Others	2,01,72,426	2.88
Total (Issued & Paid-up Shares)	70,01,72,426	100.00