

Directors' Report



Annexure I

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on Corporate Governance

The Company's philosophy of 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.

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 2014 - 15 were held on April 15, July 11, August 25, October 16, November 14, January 23 and March 12. The Board of Directors, at its meeting held on March 12, 2015, had appointed Ms. Smita Affinwalla (DIN: 07106628) and Mr. Venkatraman Srinivasan (DIN: 00246012) as Independent Directors on the Board of the Company, based on the declaration received from them u/s 149(6) of the Companies Act, 2013.

The present strength of Board of Directors is six (6) Directors. The Board comprises of one (1) Executive and five (5) 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.

The Directors of the Company have wide experience in the field of finance, banking and information technology.

The details of the Directors as at March 31, 2015, 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	1,95,000
Mr. Kaizad Bharucha	Non-Executive	2	2,99,555
Mr. Anil Jaggia	Non-Executive	Nil	95,170
Mr. Ramesh G	Executive	Nil	3,81,500
Mr. Venkatraman Srinivasan*	Independent	3	Nil
Ms. Smita Affinwalla*	Independent	Nil	Nil

*Inducted as Additional Directors effective March 12, 2015 to hold office upto the conclusion of the ensuing Annual General Meeting.

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. There were no materially significant related party transactions made by the Company, which may have a potential conflict with the interest of the Company.

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

During the year under review the Audit Committee was reconstituted in terms of the provisions of Section 177 of the Companies Act, 2013 by the Board, as detailed under:

- Mr. Venkatraman Srinivasan, Chairperson (Independent Director)

Directors' Report



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

Note: Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla were inducted to the Audit Committee effective March 12, 2015. Mr. Anil Jaggia and Mr. Kaizad Bharucha, Non Executive Directors, ceased to be members of the Audit Committee effective March 12, 2015.

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 and 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**

The Board of Directors at its meeting held on March 12, 2015 had constituted the Nomination and Remuneration Committee as per Section 178 of the Companies Act, 2013, as detailed below:

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

During the year under review, your Company has adopted a Nomination and Remuneration Policy in terms of the provisions of Section 178 of the Companies Act, 2013. The remuneration paid by the Company to its employees and directors is as per this Nomination and Remuneration Policy, the details of which is annexed.

▪ **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, Chairperson (Non Executive Director)
- ii. Mr. Kaizad Bharucha, Member (Non Executive Director)
- iii. Mr. Ramesh G, 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. Head - Risk is also the permanent invitee to the Risk Committee.

Moreover, 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.

Directors' Report



▪ **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, Chairperson (Non Executive Director)
- ii. Mr. Kaizad Bharucha, Member (Non Executive Director)
- iii. Mr. Ramesh G, 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

▪ **Corporate Social Responsibility (CSR) Committee**

During the year under review your Company formed a Corporate Social Responsibility ('CSR') Committee in terms of Section 135 of the Companies Act, as detailed below:

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

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. Ramesh G	Mr. Venkatraman Srinivasan*	Ms. Smita Affinwalla*
Board of Directors	7	7	7	7	7	1	1
Audit Committee	4	4	4	4	NA	Nil	Nil
Asset-Liability Committee	4	4	4	NA	4	NA	NA
Risk Committee	4	4	4	NA	4	NA	NA
Nomination and Remuneration Committee**	3	3	NA	3	NA	Nil	Nil
Corporate Social Responsibility Committee***	2	2	NA	2	1	NA	2
Bond Allotment Committee	3	3	1	NA	3	NA	NA
Compensation Committee**	1	1	NA	1	NA	NA	NA
Debenture Allotment Committee	17	10	13	NA	16	NA	NA
Share Allotment Committee	2	1	Nil	NA	2	NA	NA
Attendance at last AGM	1	Yes	No	No	Yes	NA	NA

* Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla were inducted as Additional Independent (Non – Executive) Directors of the Company effective March 12, 2015.

** The nomenclature and terms of reference of the Nomination Committee changed as 'Nomination and Remuneration Committee' effective March 12, 2015 in compliance with the provisions of Companies Act, 2013. The Compensation Committee of the committee stands dissolved and merged with the Nomination and Remuneration Committee effective March 12, 2015.

*** The Corporate Social Responsibility Committee was constituted effective March 12, 2015.

Directors' Report



Sitting fees of ₹ 20,000/- per meeting was paid to all the Non Executive Directors of the Company for attending each of the meetings of Board of Directors, Audit Committee, Risk Committee and Asset Liability Committee of the Company during the FY 2014 - 15.

6. Annual evaluation by the Board

The evaluation framework for assessing the performance of Directors comprises of the following key areas:

- 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

The evaluation will involve self evaluation by the Board member and subsequently assessed by the Nomination and Remuneration Committee based on the above criteria and lastly reviewed by the Board of Directors. A member of the Board will not participate in the discussion of his / her evaluation.

7. General Body meetings (FY 2014-15)

Meeting	Date and Time	Venue	Resolutions passed
AGM	12 noon June 17, 2014	HDFC Bank House, Final Plot No.287, Ellis bridge Township Scheme No.3, Navrangpura, Ahmedabad - 380009	<ul style="list-style-type: none"> Adoption of audited Balance Sheet as at March 31, 2014 and Statement of Profit and Loss for the year ended on that date and reports of the directors and auditors. Declaration of dividend for the year ended March 31, 2014. Re-appointment of Mr. Kaizad Bharucha as a Director. Appointment of M/s. B S R & Co., Chartered Accountants, as Statutory Auditors of the Company for a further period of 4 (four) years i.e. upto financial year 2017-18. Appointment of Mr. G. Subramanian as Chairman of the Company and payment of remuneration thereof. Grant of authority to issue secured redeemable non-convertible debentures. Grant of authority to issue unsecured redeemable non-convertible subordinated bonds.
Postal Ballot	September 11, 2014	NA	<ul style="list-style-type: none"> Authority to borrow money upto ₹ 28,000 crore pursuant to the provisions of Section 180(1) (c) of the Companies Act, 2013 and create mortgage / charge for securing the money borrowed upto ₹ 28,000 crore pursuant to the provisions of Section 180(1) (a) of the Companies Act, 2013. Employees Stock Option Scheme - 2014 and issue of upto 1,00,00,000 (one crore) equity shares of ₹ 10/- each thereunder.

8. Shareholding pattern as at March 31, 2015

Name of Shareholder	No. of equity shares held	%
HDFC Bank Ltd.	680000000	97.22
Others	19469876	2.78
Total (Issued & Paid-up Shares)	699469876	100.00