Price Waterhouse Chartered Accountants LLP

Independent Auditor's Report

To the Members of HSBC InvestDirect Financial Services (India) Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of HSBC InvestDirect Financial Services (India) Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2023, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, and total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

   We have nothing to report in this regard.

Price Waterhouse Chartered Accountants LLP, Nesco IT Building III, 8th Floor, Nesco IT Park, Nesco Complex
Gate No. 3 Western Express Highway, Goregaon East, Mumbai - 400 063
T: +91(22) 61198000. F: +91 (22) 61198799

Responsibilities of management and those charged with governance for the financial statements

5. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

7. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

8. As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
   - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such

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LLPIN AAC-5001
Chartered Accountants
FRN 012754N/N500016
Mumbai

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

9. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

11. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

12. As required by Section 143(3) of the Act, we report that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

    (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.

    (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.

    (e) On the basis of the written representations received from the directors taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023, from being appointed as a director in terms of Section 164(2) of the Act.

    (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

    (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

        i. The Company does not have any pending litigations which would impact its financial position

        ii. The Company has made provision as at March 31, 2023, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts - Refer Note 5 and 35.1. The Company did not have any derivative contracts as at March 31, 2023.

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2023.

        iv. (a) The management has represented that, to the best of its knowledge and belief, as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or

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Chartered Accountants
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otherwise, that the Intermediary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries (Refer 38.A to the financial statements);

(b) The management has represented that, to the best of its knowledge and belief, as disclosed in the notes to the accounts, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries (Refer Note 38.B to the financial statements); and

(c) Based on such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. The Company has not declared or paid any dividend during the year.

vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 (as amended), which provides for maintaining books of account in accounting software having a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled, is applicable to the Company only with effect from financial year beginning April 1, 2023, the reporting under clause (g) of Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), is currently not applicable

13. During the year ended March 31, 2023 the Company has not paid/provided any managerial remuneration under the provisions of Section 197 read with Schedule V of the Act. Accordingly, reporting under Section 197(16) of the Act is not applicable to the Company.

For PriceWaterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Russell I Parera
Partner
Membership Number : 042190

UDIN: 23042190BGTAMA6595
Mumbai
May 25, 2023

Annexure A to Independent Auditor's Report

Referred to in paragraph 12 (f) of the Independent Auditor's Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements for the year ended March 31, 2023

Report on the Internal Financial Controls with reference to Financial Statements under clause (i) of sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of HSBC InvestDirect Financial Services (India) Limited ("the Company") as of March 31, 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable

Price Waterhouse Chartered Accountants LLP
LLPIN AAC-5001
Chartered Accountants
FRN 012754N/N500016
Mumbai

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Annexure A to Independent Auditor's Report

detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Russell I Parera
Partner
Membership Number: 042190

UDIN : 23042190BGTAMA6595
Mumbai
May 25, 2023

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2023

i. (a) (A) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of Property, Plant and Equipment.

(B) The Company is maintaining proper records showing full particulars of Intangible Assets.

(b) The Property, Plant and Equipment of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.

(c) The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee), as disclosed in Note 9 to the financial statements, are held in the name of the Company.

(d) The Company has chosen cost model for its Property, Plant and Equipment (including Right of Use assets) and intangible assets. Consequently, the question of our commenting on whether the revaluation is based on the valuation by a Registered Valuer, or specifying the amount of change, if the change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment (including Right of Use assets) or intangible assets does not arise.

(e) Based on the information and explanations furnished to us, no proceedings have been initiated on or are pending against the Company for holding benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) (formerly the Benami Transactions (Prohibition) Act, 1988 (45 of 1988)) and Rules made thereunder, and therefore the question of our commenting on whether the Company has appropriately disclosed the details in its financial statements does not arise.

ii. (a) The Company is in the business of rendering services and, consequently, does not hold any inventory. Therefore, the provisions of clause 3(ii)(a) of the Order are not applicable to the Company.

(b) During the year, the Company has not been sanctioned working capital limits in excess of Rs. 5 crores, in aggregate from banks and financial institutions on the basis of security of current assets and accordingly, the question of our commenting on whether the quarterly returns or statements are in agreement with the unaudited books of account of the Company does not arise.

iii. (a) The Company's principal business is to give loans and it is registered with Reserve Bank of India (RBI) under section 45-IA as a non-banking financial company. Accordingly, the provisions of clause 3(iii)(a) of the Order are not applicable to the Company.

(b) Based on our examination and the information and explanations given to us, in respect of the aforesaid loans, in our opinion, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.

(c) In respect of the loans, the schedule of repayment of principal and payment of interest has been stipulated by the Company. Considering that the Company is a non-banking financial company engaged in the business of granting loans to customers for loans against shares, the entity-wise details of the amount, due date for payment and extent of delay (that has been suggested in the Guidance Note on CARO 2020 issued by the Institute of Chartered Accountants of India for reporting under this clause) have not been reported because it is not practicable to furnish such details owing to the voluminous nature of data generated in the

Price Waterhouse Chartered Accountants LLP
LLPIN AAC-5001
Chartered Accountants
FRN 012754N/N500016
Mumbai

normal course of the Company's business. Further, except for the instances where there are delays or defaults in repayment of principal and/ or interest and in respect of which the Company has recognised necessary provisions in accordance with the principles of Indian Accounting Standards (Ind AS) and the guidelines issued by the Reserve Bank of India ("RBI") for Income Recognition and Asset Classification (which has been disclosed by the Company in Note 39 to the financial statements), the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest, as applicable.

(d) In respect of the loans, there is no amount which is overdue for more than ninety days.

(c) The Company's principal business is to give loans and it is registered with Reserve Bank of India (RBI) under section 45-IA as a non-banking financial company. Accordingly, the provisions of clause 3(iii)(e) of the Order are not applicable to the Company.

(d) There were no loans/advances in nature of loans which were granted during the year, including to promoters/related parties.

iv. The Company has not granted any loans or provided any guarantee or security in connection with any loan taken by parties covered under section 185. Therefore, the provisions of section 185 are not applicable to the Company. The Company is registered as Non-Banking Financial Company with the Reserve Bank of India. Therefore, the provisions of Section 186, except subsection (1) of Section 186, of the Act are not applicable to the Company. Further, the Company has not made any investment to the parties covered under Section 186 of the Companies Act, 2013 and accordingly the provisions of Clause 3(iv) of the said Order in respect of Section 186(1) is not applicable.

v. The Company has not accepted any deposits or amounts which are deemed to be deposits referred in Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified. Further, the provisions of sub-section (1) of Section 73 are not applicable to the Company as it is a non-banking financial company registered with RBI, engaged in the business of giving loans.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including goods and services tax, provident fund, employees' state insurance, income tax, and other material statutory dues, as applicable, with the appropriate authorities. [Also, refer note 28 to the financial statements regarding management's assessment on certain matters relating to provident fund.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues referred to in sub-clause (a) which have not been deposited on account of any dispute.

viii. According to the information and explanations given to us and the records of the Company examined by us, there are no transactions in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.

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LLPIN AAC-5001
Chartered Accountants
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ix. (a) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest to any lender during the year.

(b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared Wilful Defaulter by any bank or financial institution or government or any government authority.

(c) In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained. (Also refer Note 14 to the financial statements)

(d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.

(e) According to the information and explanations given to us and procedures performed by us, we report that the Company did not have any subsidiaries, joint ventures or associate companies during the year.

(f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.

x. (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the reporting under clause 3(x)(a) of the Order is not applicable to the Company.

(b) The Company has not made any preferential allotment or private placement of shares or fully or partially or optionally convertible debentures during the year. Accordingly, the reporting under clause 3(x)(b) of the Order is not applicable to the Company.

xi. (a) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

(b) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, a report under Section 143(12) of the Act, in Form ADT-4, as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 was not required to be filed with the Central Government. Accordingly, the reporting under clause 3(xi)(b) of the Order is not applicable to the Company.

(c) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, and as represented to us by the management, no

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whistle-blower complaints have been received during the year by the Company. Accordingly, the reporting under clause 3(xi)(c) of the Order is not applicable to the Company.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the reporting under clause 3(xii) of the Order is not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard 24 "Related Party Disclosures" specified under Section 133 of the Act.

xiv. (a) In our opinion and according to the information and explanation given to us, the Company has an internal audit system commensurate with the size and nature of its business.

(b) The reports of the Internal Auditor for the period under audit have been considered by us.

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the reporting on compliance with the provisions of Section 192 of the Act under clause 3(xv) of the Order is not applicable to the Company.

xvi. (a) The Company is required to and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a Non Banking Financial Company – Investment and Credit Company (NBFC -ICC) .

(b) The Company has conducted non-banking financial activities during the year and the Company holds a valid Certificate of Registration from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.

(c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, the reporting under clause 3(xvi)(c) of the Order is not applicable to the Company.

(d) Based on the information and explanations provided by the management of the Company, the Group has one CICs as part of the Group as detailed in note 37 to the financial statements. We have not, however, separately evaluated whether the information provided by the management is accurate and complete.

xvii. The Company has not incurred any cash losses in the financial year or in the immediately preceding financial year

xviii. There has been no resignation of the statutory auditors during the year and accordingly the reporting under clause (xviii) is not applicable.

xix. According to the information and explanations given to us and on the basis of the financial ratios (Also refer Note 40 to the financial statements), ageing and expected dates of realisation of financial assets and payments of financial liabilities and other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We,

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LLPIN AAC-5001
Chartered Accountants
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Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of HSBC InvestDirect Financial Services (India) Limited on the financial statements as of and for the year ended March 31, 2023

however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date will get discharged by the Company as and when they fall due.

xx. As at balance sheet date, the Company does not have any amount remaining unspent under Section 135(5) of the Act. Accordingly, reporting under clause 3(xx) of the Order is not applicable.

xxi. The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of Standalone Financial Statements. Accordingly, no comment in respect of the said clause has been included in this report.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Russell I Parera
Partner
Membership Number 042190

UDIN: 23042190BGTAMA6595
Mumbai
May 25, 2023

HSBC InvestDirect Financial Services (India) Limited
Balance sheet as at March 31, 2023

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	As at March 31, 2023	As at March 31, 2022
ASSETS			
Financial assets			
Cash and cash equivalents	3	3,597	12,274
Bank balance other than cash and cash equivalents	4	403,260	403,202
Loans	5	11,471,138	8,581,427
Investments	6	17,057	209,799
Other financial assets	7	7,148	7,148
Non-financial assets			
Current tax assets (Net)	8	154,430	143,181
Deferred tax assets (Net)	17	2,180	2,110
Property, plant and equipment	9	3,260	4,351
Intangible assets	10	2,016	3,527
Other non-financial assets	11	1,839	5,209
Total assets		**12,065,925**	**9,372,228**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables	12		
(I) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		14,153	10,700
Debt securities	13	3,813,259	2,816,565
Borrowings (other than debt securities)	14	3,075,128	1,620,000
Other financial liabilities	15	671	856
Non-financial Liabilities			
Provisions	16	3,263	2,077
Other non-financial liabilities	18	3,646	3,093
EQUITY			
Equity share capital	19	1,462,847	1,462,847
Other equity	20	3,692,958	3,456,090
Total equity		**5,155,805**	**4,918,937**
Total liabilities and equity		**12,065,925**	**9,372,228**

The above balance sheet should be read in conjunction with the accompanying notes. 2

This is the balance sheet referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

Russell I Parera
Partner
Membership No: 042190

Mumbai
May 25, 2023

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

Berlin Varghese
Managing Director
(DIN 10059070)

Roopa Varma
Chairperson
(DIN: 09779388)

Sunita Sarda
Chief Financial Officer
M.No. 128484

Sneha Doshi
Company Secretary
M.No. ACS 18001

Mumbai
May 25, 2023

HSBC InvestDirect Financial Services (India) Limited
Statement of Profit and Loss for the year ended March 31, 2023

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	Mar 31, 2023	Mar 31, 2022
Revenue from operations			
Interest income	21(a)	804,265	416,123
Net gain on fair value changes	21(b)	13,444	17,304
Total revenue from operations		**817,709**	**433,427**
Other income	22	1,901	16,286
Total income		**819,610**	**449,713**
Expenses			
Finance costs	23	388,454	121,878
Impairment on financial assets	24	289	261
Employee benefits expenses	25	55,401	44,112
Depreciation and amortisation	9 & 10	2,831	1,996
Others expenses	26	51,706	52,262
Total expenses		**498,681**	**220,509**
Profit before tax		**320,929**	**229,204**
Income tax expense:			
- Current tax	27	82,970	55,000
- Deferred tax	27	259	594
- (Excess) provision for tax		(145)	(18,724)
Total tax expense		**83,084**	**36,870**
Profit for the year		**237,845**	**192,334**
Other comprehensive income			
i) Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations	29	(1305)	(295)
- Changes in the fair value of equity investments at FVOCI		-	17,057
ii) Income tax relating to items that will not be reclassified to profit or loss		329	74
Other comprehensive profit/(loss) for the year		**(976)**	**16,836**
Total comprehensive income for the year		**236,869**	**209,170**
Earnings per equity share (Nominal value of Rs. 10 per share)			
- Basic and Diluted (Rs.)		1.63	1.31

The above statement of profit and loss should be read in conjunction with the accompanying notes. 2

This is the Statement of Profit and Loss referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

Russell I Parera
Partner
Membership No: 042190

Mumbai
May 25, 2023

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

Berlin Varghese
Managing Director
(DIN 10059070)

Roopa Varma
Chairperson
(DIN: 09779388)

Sunita Sarda
Chief Financial Officer
M.No. 128484
Mumbai
May 25, 2023

Sneha Doshi
Company Secretary
M.No. ACS 18001

HSBC InvestDirect Financial Services (India) Limited
Statement of changes in equity as at March 31, 2023

(All amounts in INR thousands, unless otherwise stated)

A. Equity share capital

1) For the year ended March 31, 2023

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period
1,462,847	-	-	-	1,462,847

2) For the year ended March 31, 2022

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period
1,462,847	-	-	-	1,462,847

B. Other Equity

1) For the year ended March 31, 2023

	Securities Premium	General Reserve	Statutory reserve	Impairment reserve	Retained Earnings	Equity Instruments through Other Comprehensive Income	Total
As at April 1, 2022	1,934,680	17,000	465,817	33,471	988,065	17,057	3,456,090
Total income for the current year	-	-	-	-	237,845	-	237,845
Remeasurements of post-employment benefit obligation, net of tax					(976)	-	(976)
Changes in Fair Value of Equity Instruments through Other Comprehensive Income	-	-	-	-	-	-	-
Transfer to Impairment reserve	-	-	-	11,457	(11,457)	-	-
Transfer to Special Reserve under section 45-IC of the RBI Act	-	-	47,569	-	(47,569)	-	-
As at March 31, 2023	1,934,680	17,000	513,386	44,928	1,165,908	17,057	3,692,959

2) For the year ended March 31, 2022

	Securities Premium	General Reserve	Statutory reserve	Impairment reserve	Retained Earnings	Equity Instruments through Other Comprehensive Income	Total
As at April 1, 2021	1,934,680	17,000	427,350	24,507	843,383	-	3,246,920
Total income for the current year	-	-	-	-	192,334	-	192,334
Remeasurements of post-employment benefit obligation, net of tax	-	-	-	-	(221)	-	(221)
Changes in Fair Value of Equity Instruments through Other Comprehensive Income	-	-	-	-	-	17,057	17,057
Transfer to Impairment reserve	-	-	-	8,964	(8,964)	-	-
Transfer to Special Reserve under section 45-IC of the RBI Act	-	-	38,467	-	(38,467)	-	-
As at March 31, 2022	1,934,680	17,000	465,817	33,471	988,065	17,057	3,456,090

The above statement of changes in equity should be read in conjunction with the accompanying notes.
This is the Statement of changes in equity referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

Russell I Parera
Partner
Membership No: 042190

Mumbai
May 25, 2023

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

Berlin Varghese
Managing Director
(DIN 10059070)

Roopa Varma
Chairperson
(DIN: 09779388)

Sunita Sarda
Chief Financial Officer
M.No. 128484

Sneha Doshi
Company Secretary
M.No. ACS 18001

Mumbai
May 25, 2023

HSBC InvestDirect Financial Services (India) Limited
Statement of cash flows for the year ended March 31, 2023

(All amounts in INR thousands, unless otherwise stated)

Particulars	Note	Mar 31, 2023	Mar 31, 2022
CASH FLOW FROM OPERATING ACTIVITIES :			
Profit before tax:		320,929	229,204
Adjustments :			
Depreciation and amortisation	9 & 10	2,831	1,996
Impairment on financial assets	24	289	261
Interest expense on borrowings	23	110,784	99,101
Interest paid on borrowings	23	(110,784)	(99,101)
Interest expense on debt securities	23	261,924	19,860
Liability no longer required written back	16	-	(16,173)
Interest income on bank deposits	21(a)	(20,214)	(19,278)
Unrealised gain on mutual fund	21(b)	-	(144)
Realised gain on mutual fund	21(b)	(13,444)	(17,160)
Interest income on income tax refund	22	(1,886)	-
Operating profit before working capital changes		**550,429**	**198,566**
Adjustments for working capital changes:			
Decrease in bank balance other than cash and cash equivalents	4	-	511
(Increase) in loans	5	(2,890,000)	(2,614,632)
Decrease in other financial assets	7	-	7,565
(Increase)/decrease in other non financial assets	11	3,370	(1,757)
Increase/(decrease) in trade payables	12	3,453	(763)
Increase/(decrease) in other financial liabilities	15	(185)	(8,782)
Increase/(decrease) in provisions	16	(119)	917
Increase in other non financial liabilities	18	553	486
Cash generated from operations		(2,882,928)	(2,616,455)
Less : Income taxes paid (net of refunds)		(92,188)	(42,341)
Net cash inflow / (outflow) from operating activities		**(2,424,687)**	**(2,460,230)**
CASH FLOW FROM INVESTING ACTIVITIES :			
Placement of fixed deposit with bank	4	(370,000)	(138,400)
Proceeds from fixed deposit with bank	4	370,000	140,000
Interest income on bank deposits	21(a) & 4	20,156	19,278
Purchase of property, plant and equipment and intangible assets	9 & 10	(231)	(2,909)
Investment in mutual fund	6	(11,215,000)	(7,102,500)
Redemption of mutual fund	6	11,421,186	7,037,141
Net cash inflow / (outflow) from investing activities		**226,111**	**(47,390)**
CASH FLOW FROM FINANCING ACTIVITIES :			
Proceeds from borrowings	14	2,980,000	-
Repayment of borrowings	14	(1,700,000)	-
Proceeds from issue of debt securities	13	13,284,771	3,199,265
Repayment of debt securities	13	(12,550,000)	(650,000)
Net cash inflow / (outflow) from financing activities		**2,014,771**	**2,549,265**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(183,805)**	**41,645**
Add : Cash and cash equivalents at beginning of the year		12,274	(29,371)
Cash and cash equivalents at end of the year		**(171,531)**	**12,274**

Reconciliation of cash and cash equivalents as per the cash flow statement

Cash and cash equivalents as per above comprise of the following

Particulars		As at March 31, 2023	As at March 31, 2022
Cash and cash equivalents	3	3,597	12,274
Bank overdrafts	14	(175,128)	-
Balances as per statement of cash flows		**(171,531)**	**12,274**

Note:

i) Amount spent in cash towards Corporate Social Responsibility is INR 5,420 (March 2022: 6,122)

ii) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented. Refer note 14.

Particulars	As at March 31, 2023	As at March 31, 2022
Cash and cash equivalents, bank overdrafts	(171,531)	12,274
Liquid investments	-	192,742
Debt securities - commercial paper	(3,813,259)	(2,816,565)
Borrowings - loans from related parties	(2,900,000)	(1,620,000)
Net debt	**(6,884,790)**	**(4,231,549)**

The above statement of cash flows should be read in conjunction with the accompanying notes.
The above statement of cash flows has been prepared under the Indirect method as set out in Ind AS 7 on Statement of Cash Flows.
This is the statement of cash flows referred to in our report of even date.

For PRICE WATERHOUSE CHARTERED ACCOUNTANTS LLP
Firm Registration No: 012754N/N500016

Russell I Parera
Partner
Membership No: 042190

Mumbai
May 25, 2023

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

Berlin Varghese
Managing Director
(DIN 10059070)

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Additional Director
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Sunita Sarda
Chief Financial Officer
M.No. 128484

Sneha Doshi
Company Secretary
M.No. ACS 18001

Mumbai
May 25, 2023

1 Background

HSBC InvestDirect Financial Services (India) Limited ('HIFSL or the Company') is registered as a Non Banking Financial Company ('NBFC') (non-deposit accepting) as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934. The Company is a wholly owned subsidiary of HSBC InvestDirect (India) Private Limited.

The Company is domiciled in India and primarily engaged in the business of financing against securities including equity shares, bonds, mutual funds, sovereign bonds, Treasury bills and Government Securities. As per RBI circular dated February 22, 2019 on Harmonisation of different categories of NBFCs, the Company is classifed as an Investment and Credit Company (NBFC - ICC).

As per Scale Based Regulations (SBR) issued by RBI on October 22, 2021, the Company is now categorized as Middle Layer as the asset size of the Company has crossed INR 10,000 million during the current year.

2A Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

i) Basis of preparation

Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015], other relevant provisions of the Act and guidelines along with circulars issued by the RBI from time to time.

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

• certain financial assets and liabilities are measured at fair value; and

• defined benefit plans - plan assets are measured at fair value.

Recent Accounting Pronouncements

The Ministry of Corporate Affairs has vide notification dated 23 March 2023 notified Companies (Indian Accounting Standards) Amendment Rules, 2022 which amends certain accounting standards, and are effective 1 April 2023.

Ind AS 1 – Presentation of Financial Statements - The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general purpose financial statements. The Company does not expect this amendment to have any significant impact in its financial statements.

Ind AS 12 – Income Taxes - The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company is evaluating the impact, if any, in its financial statements.

Ind AS 8 – Accounting policies, Changes in Accounting Estimates & Errors – The amendments will help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Company does not expect this amendment to have any significant impact in its financial statements.

Presentation

The Company is covered in the definition of Non-Banking Financial Company as defined in Companies (Indian Accounting Standards) (Amendment) Rules, 2016. The Company presents its financial statements in accordance with Division III of Schedule III to the Companies Act, 2013. A maturity analysis of recovery or settlement of assets and liabilities within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 33.

ii) Segment reporting

The Company's Chief Operating Decisions Maker (CODM), who has the ability to evaluate performance and allocates resources, is the Managing Director (MD). In a manner consistent with the internal reporting provided to the MD for corporate planning, there are no separate reportable segments (including geographical segments) other than single business segment of financing.

iii) Property, plant and equipment

Freehold land is carried at historical cost. Items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value

Depreciation on the following assets has been based on the management's estimate of useful life/ remaining useful life. The residual values are not more than 5% of the original cost of the asset.

(a) Assets costing INR 35000 or less are depreciated at 100% in the year of capitalisation.

(b) Useful life of other assets is estimated as under:

	FY 2022-23	
Category of assets	**Useful lives followed by Company (years)**	**Useful lives prescribed in Schedule II (years)**
Office Equipments	5	5
Data Processing Equipments - Laptop	4	3
Data Processing Equipments – Servers	5	6

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

Price Waterhouse Chartered Accountants LLP
LLPIN AAC-5001
Chartered Accountants
FRN 012754N/N500016
Mumbai

HSBC InvestDirect Financial Services (India) Limited
Mumbai

iv) Intangible assets:

Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from the retirement or disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

Amortisation methods and periods

The Company amortises intangible assets using the straight-line method over the following periods:

Category of assets	Useful lives followed by Company (years)
Computer Softwares	3 years or license life

v) Investments & other financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

1. those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
2. those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

For investments in debt instruments, this will depend on the classification of debt instruments depending on:
(i) the Company's business model for managing the asset; and
(ii) the cash flow characteristics of the asset (Solely payments of principal and interest).

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.
The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
• how the asset's performance and the business model is evaluated and reported to key management personnel
• the risks that affect the performance of the business model and how these risks are assessed and managed

As a second step of its classification process the Company assesses the contractual terms of financial instrument to identify whether they meet the SPPI test, where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit and loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition

Regular way of purchase and sales of financial assets are recognised on trade date the date on which the Company commits purchase or sale of financial asset.

(c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit and loss.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows or for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in statement of profit and loss.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in profit and loss.

Price Waterhouse Chartered Accountants LLP
LLPIN AAC-5001
Chartered Accountants
FRN 012754N/N500016
Mumbai

HSBC InvestDirect Financial Services (India) Limited
Mumbai

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial liabilities and equity instrument

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

Financial liabilities

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in profit or loss. Any gain or loss on de-recognition of financial liabilities is also recognised in profit or loss. Undrawn loan commitments are not recorded in the balance sheet.

(d) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 35 details how the Company determines whether there has been a significant increase in credit risk.

The Company hold impairment allowances as required by Ind AS. The Company also maintain the asset classification and compute provisions as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) including borrower/beneficiary wise classification, provisioning for standard as well as restructured assets, NPA ageing, etc. A comparison between provisions required under IRACP and impairment allowances made under Ind AS 109 should be disclosed by the Company in Note 38.

In line with the requirements of the Companies Act and RBI guidelines, an ECL policy is designed to assess and provide for impairment allowance on the credit exposures based on the projected 12 M expected loss model. The provisioning is dependent on the portfolio mix, nature of product ad loan impairments basis sound judgment and estimates. The policy broadly defines the methodology of the ECL model, its impact on the impairment provisioning and accounting treatment, its impact on the regulatory capital and ratios. The model compares the provisioning under the RBI prudential guidelines and standard asset provisioning guidelines to arrive at fair estimate of provisioning of Impairment allowance.

(e) Derecognition

Financial assets

A financial asset is derecognised only when

1. The Company has transferred the rights to receive cash flows from the financial asset or
2. retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in profit and loss.

(f) Income recognition

Interest income

Interest income from financial assets at fair value through profit or loss is disclosed as interest income under revenue from operations. Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method is recognised in the statement of profit and loss under revenue from operations.
Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

vi) Employee Benefits:

(a) Short-term obligations

Liabilities for salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as employee benefit obligations in the balance sheet.

(b) Post employement obligations

The Company operates the following post-employment schemes:

- defined benefit plans such as gratuity and
- defined contribution plans such as provident fund.

Price Waterhouse Chartered Accountants LLP
LLPIN AAC-5001
Chartered Accountants
FRN 012754N/N500016
Mumbai

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(1) Defined benefit plans (Gratuity)

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.
Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(2) Provident fund

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.

(c) Bonus

The Company recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

vii) Income Tax:

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

viii) Cash and cash equivalents:

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in financial liabilities in the balance sheet.

ix) Special Reserve:

In accordance with section 45-IC of the RBI Act, 1934, the Company creates a reserve fund and transfers therein a sum not less than twenty percent of its net profit before any dividend is declared every year end, and is disclosed in the other equity.

x) Provisions and Contingent Liabilities:

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.
Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent Liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or reliable estimate of the amount cannot be made, is termed and disclosed as contingent liability.

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xi) Leases - as a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

xii) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:
1. the profit attributable to owners of the Company
2. by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
1. the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
2. the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

xiii) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and trade and other payables are presented as financial liabilities.

xiv) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

xv) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are dereognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss as other gains/(losses).

xvi) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousands as per the requirement of Schedule III, unless otherwise stated.

2B Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates of judgements are:
- Estimation of current tax asset (Refer Note 8)
- Estimation of defined benefit obligation (Refer Note 29)
- Estimation of expected credit losses (Refer Note 35)
- Fair value of unquoted investments (Refer Note 6)
- Estimation of provision for expense and levies (Refer Note 12)

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3 Cash and cash equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
Balances with banks in current account	3,597	12,274
Deposits with maturity less than 3 months	-	-
Total	**3,597**	**12,274**

4 Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
Deposits with maturity more than 3 months but less than 12 months (held as lien against overdraft from bank)*#	403,260	403,202
Total	**403,260**	**403,202**

* Includes accrued Interest on deposit with bank for March 31, 2023: 3,260 ; March 31, 2022: 3,202
# Includes deposits which are held as lien against bank overdraft. As at March 31, 2023: Rs. 400,000; As at March 31, 2022: Rs. 400,000.

5 Loans (measured at amortised cost)

Particulars	As at March 31, 2023	As at March 31, 2022
Loans against securities*	11,472,285	8,582,285
Total (A) - Gross	**11,472,285**	**8,582,285**
(Less): Impairment loss allowance	(1,147)	(858)
Total (A) - Net	**11,471,138**	**8,581,427**
Secured by tangible assets (by way of pledge over securities)	11,472,285	8,582,285
Total (B) - Gross	11,472,285	8,582,285
(Less): Impairment loss allowance	(1,147)	(858)
Total (B) - Net	**11,471,138**	**8,581,427**
Loans in India		
- Public sector	-	-
- Others	11,472,285	8,582,285
Total (C) - Gross	11,472,285	8,582,285
(Less): Impairment loss allowance	(1,147)	(858)
Total (C) - Net	**11,471,138**	**8,581,427**

* Includes Interest accrued but not due for March 31, 2023: 74,987 ; March 31, 2022: 34,181

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6 Investments

Particulars	Fair value through profit & loss	Fair value through other comprehensive income	Total
As at March 31, 2022			
Mutual Fund	192,742	-	192,742
HSBC InvestDirect Securities (India) Private Limited	-	17,057	17,057
Total (A) - Gross	**192,742**	**17,057**	**209,799**
Investments outside India	-	-	-
Investments in India	192,742	17,057	209,799
Total (B) - Gross	**192,742**	**17,057**	**209,799**
Total - Gross	192,742	-	192,742
Fair value changes	-	17,057	17,057
Total	**192,742**	**17,057**	**209,799**
As at March 31, 2023			
Mutual Fund	-	-	-
HSBC InvestDirect Securities (India) Private Limited*	-	17,057	17,057
Total (A) - Gross	-	**17,057**	**17,057**
Investments outside India	-	-	-
Investments in India	-	17,057	17,057
Total (B) - Gross	-	**17,057**	**17,057**
Total - Gross	-	17,057	17,057
Fair value changes	-	-	-
(Less): Impairment loss allowance (C)	-	-	-
Total	-	**17,057**	**17,057**

* The Company has measured its investment in HSBC InvestDirect Securities (India) Private Limited at fair value through other comprehensive income.

(All amounts in INR thousands, unless otherwise stated)

7 Other financial assets

Particulars	As at March 31, 2023	As at March 31, 2022
Security deposits	6,998	6,998
Margin and other deposits	150	150
Total	**7,148**	**7,148**

8 Current tax assets (Net)

Particulars	As at March 31, 2023	As at March 31, 2022
Advance tax and tax deducted at source (net of provision for tax 578,379; March 31 2022: 498,109)	154,430	143,181
Total	**154,430**	**143,181**

9 Property, plant and equipment

Particulars	Own Assets			Total
	Land#	Data processing machineries	Office Equipments	
Gross carrying amount				
Opening gross carrying amount	378	8,205	726	9,309
Additions	-	1,739	37	1,776
Disposals and transfers	-	-	-	-
Closing gross carrying amount	**378**	**9,944**	**763**	**11,085**
Accumulated depreciation				
Opening accumulated depreciation	-	5,401	344	5,745
Depreciation charge during the year	-	885	104	989
Disposals and transfers	-	-	-	-
Closing accumulated depreciation	**-**	**6,286**	**448**	**6,734**
Net carrying amount as at March 31, 2022	**378**	**3,658**	**315**	**4,351**
Gross carrying amount				
Opening gross carrying amount	378	9,944	763	11,085
Additions	-	231	-	231
Disposals and transfers	-	-	-	-
Closing gross carrying amount	**378**	**10,175**	**763**	**11,316**
Accumulated depreciation				
Opening accumulated depreciation	-	6,287	448	6,735
Depreciation charge during the year	-	1,216	105	1,321
Disposals and transfers	-	-	-	-
Closing accumulated depreciation	**-**	**7,503**	**553**	**8,056**
Net carrying amount as at March 31, 2023	**378**	**2,672**	**210**	**3,260**

#The Company has a land at Vadgaon Pune, Maharashtra which is held in the erstwhile name i.e., Tajir Investments and Properties Ltd. [now known as HSBC InvestDirect Financial Services (India) Limited]

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10 Intangible assets

Particulars	Computer softwares
Gross carrying amount	
Opening gross carrying amount	1,233
Additions	4,534
Disposals and transfers	-
Closing gross carrying amount	**5,767**
Accumulated amortisation	
Opening accumulated amortisation	1,233
Amortisation during the period	1,007
Disposals and transfers	-
Closing accumulated amortisation	**2,240**
Net carrying amount as at March 31, 2022	**3,527**
Gross carrying amount	
Opening gross carrying amount	5,767
Additions	-
Disposals and transfers	-
Closing gross carrying amount	**5,767**
Accumulated amortisation	
Opening accumulated amortisation	2,240
Amortisation during the period	1,511
Disposals and transfers	-
Closing accumulated amortisation	3,751
Net carrying amount as at Mar 31, 2023	**2,016**

Intangible assets under development

Gross carrying amount	
Opening gross carrying amount	3,400
Additions	-
Disposals and transfers	(3,400)
Closing gross carrying amount as at March 31, 2022	-
Gross carrying amount	
Opening gross carrying amount	-
Additions	-
Disposals and transfers	-
Closing gross carrying amount as at March 31, 2023	-

Intangible assets under development/ CWIP aging schedule

There are no intangible assets under development/CWIP as at March 31, 2023 and March 31, 2022.

11 Other non-financial assets

Particulars	As at March 31, 2023	As at March 31, 2022
Prepayments	1,783	5,090
Amount receivable from Gratuity Trust Fund	-	81
Others	56	38
Total	**1,839**	**5,209**

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12 Trade payables

Particulars	As at March 31, 2023	As at March 31, 2022
- Total outstanding dues of micro enterprises and small enterprises	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	14,153	10,700
Total	**14,153**	**10,700**

The below information as required under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) has been determined to the extent such parties have been identified on the basis of information received from suppliers regarding their status under the said Act as available with the Company.

Particulars	As at March 31, 2023	As at March 31, 2022
Outstanding principal amount and interest due to suppliers registered under MSMED Act and remaining unpaid at the year end:		
- Principal amount	-	-
- Interest due thereon	-	-
Interest paid other than under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Interest paid under section 16 of MSMED Act, to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Amount of the payment made to suppliers registered under MSMED Act, beyond the appointed day during the period.	-	-
Amount of interest due and payable (where the principal has already been paid but interest has not been paid).	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of MSMED Act.	-	-

Trade Payables aging schedule

Particulars	Outstanding for following periods from due date of payment				
As at March 31, 2023	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	-	-	-
(i) Others	14,153	-	-	-	14,153
(ii) Disputed dues – MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-

Particulars	Outstanding for following periods from due date of payment				
As at March 31, 2022	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	-	-	-
(i) Others	10,700	-	-	-	10,700
(ii) Disputed dues – MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-

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13 **Debt securities**

Particulars	As at March 31, 2023	As at March 31, 2022
At amortised cost		
Unsecured:		
- Commercial paper	3,813,259	2,816,565
Total (A)	**3,813,259**	**2,816,565**
Debt securities in India	3,813,259	2,816,565
Debt securities outside India	-	-
Total (B)	**3,813,259**	**2,816,565**

Terms of repayment schedule of debt securities:-

Instrument with repayment terms	Maturity Date	31-Mar-23		
		Interest Rate (% p.a.)	Carrying amount	Face Value
Commercial paper Repayable at Maturity	Less than 3 months	7.57% to 8.25%	3,813,259	3,850,000

Instrument with repayment terms	Maturity Date	31-Mar-22		
		Interest Rate (% p.a.)	Carrying amount	Face Value
Commercial paper Repayable at Maturity	upto 6 months	4.6% to 5.50%	2,816,565	2,850,000

During the year, there were no defaults in the repayment of principal or interest.

14 **Borrowings (other than debt securities)**

Particulars	As at March 31, 2023	As at March 31, 2022
At amortised cost		
Secured		
Overdraft from Bank#	175,128	-
Unsecured		
Bank Borrowings	1,050,000	-
Interest rate was 5.50% p.a. to 8.85%p.a. for FY 2022-23 (5.60% p.a. for FY 2021-22)		
Loans from related parties		
Loan from the holding Company $	1,850,000	1,620,000
Interest rate was 5.78% p.a. to 7.73% p.a. for FY 2022-23 (5.67% p.a. to 7.13% p.a. for FY 2021-22)		
Total (A)	**3,075,128**	**1,620,000**
Borrrowings in India	3,075,128	1,620,000
Borrrowings outside India	-	-
Total (B)	**3,075,128**	**1,620,000**

Fully secured against fixed deposit (note 4)
$ The tenor of the loan is 36 months from the date of respective disbursement with bullet repayment on maturity or at the option of the borrower. This loan is further extended for an additional period of 36 months w.e.f from February 24, 2023.

14.1 During the year, there were no defaults in the repayment of principal or interest.
14.2 The Company has used the borrowings from bank or financial institutions for the specific purpose for which it was taken.
14.3 The Company has not been declared wilful defaulter by any bank or financial institutions.
14.4 There are no breach in covenants raised against the loans.

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14 Borrowings (other than debt securities) (Contd.) (All amounts in INR thousands, unless otherwise stated)

14.5 Registration of charges or satisfaction with Registrar of Companies (ROC)

During the FY 2022-2023, the Company had filed for satisfaction of four charges against the Company with a delay. The Ministry of Corporate Affairs (MCA) has condone the delay in satisfaction of the said charges with a payment of INR 1,15,000 for each charge, amounting to INR 4,60,000. The Company has filed the Order of condonation with the MCA for the said satisfaction, however due to migration of MCA portal from version 2 to version 3, the satisfaction status of charges is awaited to be reflected on the portal.

14.6 Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Particulars	**As at March 31, 2023**	**As at March 31, 2022**
Cash and cash equivalents, bank overdrafts	(171,531)	12,274
Liquid investments	-	192,742
Debt securities - commercial paper	(3,813,259)	(2,816,565)
Borrowings	(2,900,000)	(1,620,000)
Net debt	**(6,884,790)**	**(4,231,549)**

Particulars	**Cash and cash equivalents, overdraft**	**Liquid investments**	**Debt securities - commercial paper**	**Borrowings**
Net debt as at April 1, 2021	(29,371)	110,080	(247,439)	(1,620,000)
Cash flows movement (net)	41,645	82,662	(2,549,266)	-
Interest expense	(1,175)	-	(19,860)	(99,101)
Interest paid	1,175	-	-	99,101
Other non-cash movements				
- Fair value adjustments	-	-	-	-
- Unamortised discount	-	-	-	-
- Acquisitions/disposals	-	-	-	-
Net debt as at March 31, 2022	**12,274**	**192,742**	**(2,816,565)**	**(1,620,000)**
Cash flows movement (net)	(183,805)	(192,742)	(734,771)	(1,280,000)
Interest expense	(11,543)	-	(261,924)	(110,784)
Interest paid	11,543	-	-	110,784
Other non-cash movements				
- Fair value adjustments	-	-	-	-
- Unamortised discount	-	-	-	-
- Acquisitions/disposals	-	-	-	-
Net debt as at March 31, 2023	**(171,531)**	**-**	**(3,813,259)**	**(2,900,000)**

15 Other financial liabilities

Particulars	**As at March 31, 2023**	**As at March 31, 2022**
Employee benefits payable	671	856
Total	**671**	**856**

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16 Provisions

Particulars	As at March 31, 2023	As at March 31, 2022
Provision for employee benefits		
-Leave obligation	808	723
-Gratuity (Refer Note 29)	2,455	1,354
Provision for property tax*	-	-
Total	**3,263**	**2,077**

* The movement in provision for property tax is as follows:

Particulars	As at March 31, 2023	As at March 31, 2022
Opening balance	-	16,173
Additions during the year	-	-
Amounts used	-	-
Unused amounts reversed	-	16,173
Closing balance	-	-

17 Deferred tax assets (Net)

Particulars	As at March 31, 2023	As at March 31, 2022
Property, plant and equipment/ Intangible asset	890	1,170
Expenses allowable on payment basis as per section 43B of Income Tax Act, 1961	1,000	760
Impairment allowance for loans	290	220
Unrealised gain on mutual fund	-	(40)
Net deferred tax asset	**2,180**	**2,110**

18 Other non-financial liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Statutory dues payable including providend fund and tax deducted at source	3,646	3,093
Total	**3,646**	**3,093**

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19 Equity share capital

Particulars	As at March 31, 2023		As at March 31, 2022	
	Number of shares	Rs.	Number of shares	Rs.
Authorised shares				
Equity shares of Rs. 10 each	147,000,000	1,470,000	147,000,000	1,470,000
Issued, subscribed & fully paid-up shares				
Equity shares of Rs. 10 each	146,284,720	1,462,847	146,284,720	1,462,847
Total	**146,284,720**	**1,462,847**	**146,284,720**	**1,462,847**

a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year.

Particulars	As at March 31, 2023		As at March 31, 2022	
	Number of shares	Rs.	Number of shares	Rs.
Outstanding at the beginning of the year	146,284,720	1,462,847	146,284,720	1,462,847
Shares issued during the year	-	-	-	-
Outstanding at the end of the year	**146,284,720**	**1,462,847**	**146,284,720**	**1,462,847**

b) Terms and rights attached to equity shares

The Company has one class of equity share having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c) Shares of the Company held by the holding Company

Equity shareholders	As at March 31, 2023		As at March 31, 2022	
	Number of shares	% holding	Number of shares	% holding
HSBC InvestDirect (India) Private Limited, the holding Company & its joint holders	146,284,720	100	146,284,720	100

d) Details of shareholders holding more than 5% of the shares in the Company

Equity shareholders	As at March 31, 2023		As at March 31, 2022	
	Number of shares	% holding	Number of shares	% holding
HSBC InvestDirect (India) Private Limited, the holding Company & its joint holders	146,284,720	100	146,284,720	100

e) Shareholding of Promoters

Shares held by promoters as at March 31, 2023			**% Change during the year**
Promoter name	**No. of Shares**	**% of total shares**	
HSBC InvestDirect (India) Private Limited, the holding Company & its joint holders	146,284,720	100	-
Total	**146,284,720**	**100**	-

Shares held by promoters as at March 31, 2022			**% Change during the year**
Promoter name	**No. of Shares**	**% of total shares**	
HSBC InvestDirect (India) Private Limited, the holding Company & its joint holders	146,284,720	100	-
Total	**146,284,720**	**100**	-

For the Company's capital management policy, refer Note 32

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20 Other equity

(All amounts in INR thousands, unless otherwise stated)

A Reserves and surplus

Particulars	As at March 31, 2023	As at March 31, 2022
Securities premium		
Opening balance	1,934,680	1,934,680
Add : changes during the year	-	-
Closing balance	1,934,680	1,934,680
General reserve		
Opening balance	17,000	17,000
Add : changes during the year	-	-
Closing balance	17,000	17,000
Statutory reserve		
Opening balance	465,817	427,350
Add : transfer during the year	47,569	38,467
Closing balance	513,386	465,817
Impairment reserve		
Opening balance	33,471	24,507
Add : transfer during the year	11,457	8,964
Closing balance	44,928	33,471
Retained earnings		
Opening balance	988,065	843,383
Add : changes during the year	237,845	192,334
(Less) : appropriation in special reserve	(47,569)	(38,467)
(Less) : appropriation in impairment reserve	(11,457)	(8,964)
Items of other comprehensive income recognised directly in retained earnings		
(Less) : remeasurements of post-employment benefit obligation, net of tax	(977)	(221)
Closing balance	1,165,907	988,065
Total Reserves and surplus	**3,675,901**	**3,439,033**

B Other reserves

Particulars	As at March 31, 2023	As at March 31, 2022
Equity Instruments through Other Comprehensive Income		
Opening balance	17,057	-
Add: changes during the year	-	17,057
Transfer of gain to Retained Earnings	-	-
Total other reserves	**17,057**	**17,057**

Total other equity	**3,692,958**	**3,456,090**

Nature and purpose of other equity

a) Securities premium

Securities premium is used to record the premium on issue of shares. This is to be utilised in accordance with the provisions of the Companies Act,2013.

b) Statutory reserve

Special reserve represents appropriation of retained earning as per Section 45 IC of the Reserve Bank of India Act, 1934. No appropriation of any sum from the statutory reserve fund shall be made by the NBFC except for the purpose as may be specified by the RBI from time to time.

c) General reserve

The general reserve is created by transfer from retained earnings as per the provision of the Companies Act. It can be used in accordance with the provisions of the Companies Act.

d) Retained earnings

Retained earnings represents surplus/accumulated earnings of the Company and are available for distribution to shareholders.

e) Impairment reserve

As per circular number RBI/2019-20/170 dated March 13, 2020, an Impairment Reserve is created when impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), the Company shall appropriate the difference from their net profit or loss after tax to a separate Impairment Reserve. As per the circular, the balance in the Impairment Reserve shall not be reckoned for regulatory capital.

f) FVOCI equity investments

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

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Notes to financial statements for the year ended March 31, 2023 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

21(a) Interest income

Particulars	Mar 31, 2023	Mar 31, 2022
On financial assets measured at Amortised costs:		
Interest on loans	784,051	396,845
Interest on deposits with banks	20,214	19,278
Total	**804,265**	**416,123**

21(b) Net gain on fair value changes

Particulars	Mar 31, 2023	Mar 31, 2022
Others		
Net Gain on financial instrument at fair value through profit or loss	13,444	17,304
Total (A)	**13,444**	**17,304**
Fair Value changes:		
Realised	13,444	17,160
Unrealised	-	144
Total (B)	**13,444**	**17,304**

22 Other income

Particulars	Mar 31, 2023	Mar 31, 2022
Interest on income tax refund	1,886	-
Miscellaneous income	15	113
Liability no longer required written back	-	16,173
Total	**1,901**	**16,286**

23 Finance costs

Particulars	Mar 31, 2023	Mar 31, 2022
On financial liabilities measured at amortised cost:		
Bank overdraft	11,543	1,175
Inter corporate deposits	110,784	99,101
Commercial Papers	261,924	19,860
Other Borrowing Costs	4,203	1,742
Total	**388,454**	**121,878**

24 Impairment on financial instruments

Particulars	Mar 31, 2023	Mar 31, 2022
On financial instruments measured at Amortised cost:		
Loans	289	261
Total	**289**	**261**

25 Employee benefits expenses

Particulars	Mar 31, 2023	Mar 31, 2022
Salaries and wages	49,815	39,556
Contribution to provident and other funds (Refer note 29)	2,277	1,845
Gratuity (Refer note 29)	1,150	1,059
Staff welfare expenses	2,159	1,652
Total	**55,401**	**44,112**

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Chartered Accountants
FRN 012754N/N500016
Mumbai

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Notes to financial statements for the year ended March 31, 2023 (Contd.)

(All amounts in INR thousands, unless otherwise stated)

26 Other expenses

Particulars	Mar 31, 2023	Mar 31, 2022
Rent [Refer Note (c) below]	10,196	12,301
Rates and taxes	841	877
Repairs and maintenance		
- Others	8,044	6,305
Insurance charges	1,845	807
Communication costs	587	406
Professional fees	12,322	11,454
Directors' sitting fees	-	575
Stamping and Franking Charges	737	4,212
Membership and Subscription	1,147	904
Storage Charges	3,605	3,383
Contribution for corporate social responsibility (CSR) [Refer Note (b) below]	5,420	6,122
Auditors' remuneration [Refer Note (a) below]	4,695	4,287
Miscellaneous expenses	2,267	629
Total	51,706	52,262

a) Breakup of Auditors' remuneration

Particulars	Mar 31, 2023	Mar 31, 2022
Audit fees	3,017	2,900
Other services	1,500	1,000
Certification	140	380
Out-of-pocket expenses	38	7
Total	4,695	4,287

b) Contribution for corporate social responsibility (CSR)

Particulars	Mar 31, 2023	Mar 31, 2022
Amount required to be spent as per Section 135 of the Act	5,420	6,122
Amount spent during the year on:		
(i) Construction/acquisition of an asset	-	-
(ii) On purposes other than (i) above	5,420	6,122
Total	5,420	6,122

Particulars	Mar 31, 2023	Mar 31, 2022
(a) Amount required to be spent by the Company during the year	5,420	6,122
(b) Amount of expenditure incurred	5,420	6,122
(c) Shortfall at the end of the year	Not Applicable	Not Applicable
(d) Total of previous years shortfall	Not Applicable	Not Applicable
(e) Reason for shortfall	Not Applicable	Not Applicable
(f) Nature of CSR activities	Refer $ below	Refer # below
(g) Details of related party transactions	Not Applicable	Not Applicable
(h) Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year shall be shown separately.	Not Applicable	Not Applicable

$ Solar energy-based solution at BEST Bus Depot at Bandra (West), Mumbai and 'The National Association for the Blind (NAB) India'

Administering COVID-19 vaccine through mobile vaccination units/vans, to the geographically difficult to access communities, socially and economically disadvantaged population. The activities are related to COVID 19 relief and recovery under item no. (i) and (xii) of Schedule VII – Covid-19 relief recovery relating to promotion of health care, including preventive health care; and Disaster management including relief activities.

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(All amounts in INR thousands, unless otherwise stated)

26 Other expenses (Contd.)

c) Short - term lease disclosures

The Company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payment associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Company incurred INR 10,196 (INR 12,301 for FY 21-22) for the year ended March 31, 2023 towards expense relating to short-term lease.

Lease contracts entered by the Company majorly pertains for office space taken on lease to conduct its business in the ordinary course by using the existing infrastructure and utilities provided in the building. The Company does not have any lease restrictions and commitments towards variable rent as per the contract.

d) Struck - off companies

The Company did not have any transactions with companies struck off under section 248 of Companies Act, 2013 or section 560 of Companies Act, 1956.

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(All amounts in INR thousands, unless otherwise stated)

27 Income tax expenses

a) The components of income tax expense for the period ended March 31, 2023 and March 31, 2022 are:

Particulars	Mar 31, 2023	Mar 31, 2022
Current tax	82,970	55,000
Deferred tax	259	594
(Excess) provision for tax	(145)	(18,724)
Sub-total	**83,084**	**36,870**
Deferred tax - Other comprehensive income	(329)	(74)
Total	**82,755**	**36,796**

b) Reconciliation of the total tax charge

The tax charge shown in the Statement of Profit and Loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended March 31 2023 and March 31, 2022 is, as follows:

Particulars	Mar 31, 2023	Mar 31, 2022
Accounting profit before tax	320,929	229,204
Tax at India's statutory income tax rate of 25.17% (previous year 25.17%)	**80,778**	**57,691**
Tax effect of the amount which are not taxable in calculating taxable income :		
- Expenses disallowed	1,480	1,541
- Income not subject to tax	-	(4,071)
- (Excess) provision for tax of earlier years	(145)	(18,724)
- Other	972	433
Income tax expense at effective tax rate	**83,085**	**36,870**
Effective tax rate	**25.89%**	**16.09%**

c) Deferred tax assets/liabilities

The balance comprises temporary differences attributable to the below items and corresponding movement in deferred tax liabilities / assets:

Particulars	As at March 31, 2022	(Charged)/ credited to profit and loss	(Charged)/ credited to OCI	As at March 31, 2023
Deferred tax asset :				
Property, plant and equipment/ Intangible asset	1,170	(280)	-	890
Expenses allowable on payment basis as per section 43B of Income Tax Act, 1961	760	240	-	1,000
Impairment allowance for financial assets	220	70	-	290
Unrealised gain on mutual fund	(40)	40	-	-
Net deferred tax asset	**2,110**	**70**	**-**	**2,180**

Particulars	As at March 31, 2021	(Charged)/ credited to profit and loss	(Charged)/ credited to OCI	As at March 31, 2022
Deferred tax asset :				
Property, plant and equipment/ Intangible asset	2,120	(950)	-	1,170
Expenses allowable on payment basis as per section 43B of Income Tax Act, 1961	350	410	-	760
Impairment allowance for loans	160	60	-	220
Unrealised gain on mutual fund	-	(40)	-	(40)
Net deferred tax asset/ (liability)	**2,630**	**(520)**	**-**	**2,110**

28 Contingent liabilities and commitments (to the extent not provided for)

Provident Fund

The Honourable Supreme Court has recently provided a judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-I/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the Management, the aforesaid matter is not likely to have a significant impact.

(All amounts in INR thousands, unless otherwise stated)

29 Employee benefit obligations

a) Defined contribution plans

The Company has recognised the following amounts in the statement of profit and loss towards contribution to defined contribution plans which are included under contribution to provident and other funds:

Particulars	Mar 31, 2023	Mar 31, 2022
Provident fund	2,166	1,758
Others	111	87

b) Defined benefit plans

The Company has a defined benefit plan for post-employment benefits in the form of Gratuity. The Company contributes to the "Gratuity Trust". Every employee is entitled to a benefit equivalent to thirty days salary last drawn for each completed year of service. The same is payable at the time of separation from the Company or retirement whichever is earlier. The benefits vest after four years and one hundred ninety days of continuous service.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

i) Balance Sheet

	Present value of obligation	Fair value of plan assets	Net amount
As at April 1, 2021	9,686	9,374	312
Current service cost	1,049	-	1,049
Interest expense/(income)	526	516	10
Total amount recognised in Profit and Loss	**1,575**	**516**	**1,059**
Return on plan assets excluding amounts included in interest expense/income	-	(434)	434
Actuarial loss / (gain) arising from change in financial assumptions	(281)	-	(281)
Actuarial loss / (gain) arising on account of experience changes	142	-	142
Total amount recognised in Other Comprehensive Income	**(139)**	**(434)**	**295**
Employer contributions	-	312	(312)
Benefit payments	(2,396)	(2,396)	-
As at March 31, 2022	8,726	7,372	1,354
Current service cost	1,105	-	1,105
Interest expense/(income)	539	495	44
Total amount recognised in Profit and Loss	**1,644**	**495**	**1,149**
Return on plan assets excluding amounts included in interest expense/income	-	131	(131)
Actuarial loss / (gain) arising from change in financial assumptions	(133)	-	(133)
Actuarial loss / (gain) arising on account of experience changes	1,570	-	1,570
Total amount recognised in Other Comprehensive Income	**1,437**	**131**	**1,306**
Employer contributions	-	1,354	(1,354)
Benefit payments	(1,367)	(1,367)	-
As at March 31, 2023	10,440	7,985	2,455

Particulars	As at March 31, 2023	As at March 31, 2022
Present value of plan liabilities	10,440	8,726
Fair value of plan assets	7,985	7,373
Plan liability net of plan assets	**2,455**	**1,353**

ii) Statement of Profit and Loss

Particulars	Mar 31, 2023	Mar 31, 2022
Employee Benefit Expenses:		
Current service cost	1,105	1,049
Total	**1,105**	**1,049**
Finance cost	44	10
Net impact on the profit before tax	**1,149**	**1,059**
Remeasurement of the net defined benefit liability:		
Return on plan assets excluding amounts included in interest expense/income	(131)	434
Acturial (gain) arising from change in financial assumptions	(133)	(281)
Acturial loss arising on account of experience changes	1570	142
Net impact on the other comprehensive income before tax	**1306**	**295**

iii) Defined benefit plans assets

Category of assets (% allocation)	As at March 31, 2023	As at March 31, 2022
- Insurer Managed Fund (HDFC Group Unit link plan - Option B)	100%	100%
Total	**100%**	**100%**

(All amounts in INR thousands, unless otherwise stated)

29 Employee benefit obligations (Contd.)

(All amounts in INR thousands, unless otherwise stated)

iv) Actuarial assumptions

With the objective of presenting the plan assets and plan liabilities of the defined benefits plans at their fair value on the balance sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date.

Particulars	As at March 31, 2023	As at March 31, 2022
Discount rate	7.1%	6.7%
Salary escalation rate*	7.0%	7.0%

* takes into account the inflation, seniority, promotions and other relevant factors

v) Demographic assumptions

Particulars	As at March 31, 2023	As at March 31, 2022
Mortality rate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Withdrawal rate	10%	10%

vi) Sensitivity

As at March 31, 2023	Change in assumption Increase or Decrease by	Impact on defined benefit obligation	
		Increase/ (Decrease)	
Discount rate	0.5%	(291)	305
Salary escalation rate	0.5%	305	(293)
Withdrawal Rate	0.5%	(26)	26

As at March 31, 2022	Change in assumption Increase or Decrease by	Impact on defined benefit obligation	
		Increase/ (Decrease)	
Discount rate	0.5%	(267)	281
Salary escalation rate	0.5%	280	(268)
Withdrawal Rate	0.5%	(86)	106

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

vii) Maturity (undiscounted)

The defined benefit obligations shall mature after year end as follows:

Particulars	As at March 31, 2023	As at March 31, 2022
1st Following Year	1,131	891
2nd Following Year	1,179	998
3rd Following Year	1,541	1,097
4th Following Year	1,221	1,421
5th Following Year	1,589	1,155
Sum of 6 to 10	10,924	9,739

The weighted average duration of the defined benefit obligation is 7 years (previous year - 7 years)

viii) Risk Exposure

Interest rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation.

Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

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30 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker as defined in Ind AS 108 – Operating Segments. The Company operates in a single business segment of financing and there are no separate reportable segments identified as per the Ind AS 108 - Segment Reporting.

31 Earnings per share (EPS)

a) Computation of basic & diluted earnings per share is given below:

Particulars	Mar 31, 2023	Mar 31, 2022
Basic & Diluted earnings per share		
Net profit after tax available for equity shareholders (A) (Rs. In thousands)	237,845	192,334
Weighted average number of equity shares (B)	146,284,720	146,284,720
Basic & Diluted earnings per share (A/B) (Rs.)	1.63	1.31
Nominal value per share (Rs.)	10	10

32 Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting capital adequacy requirements of the local banking supervisor, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, amongst other measures, the regulations issued by RBI. Company has complied in full with all its externally imposed capital requirements over the reported period. The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

Regulatory Capital

Capital to risk assets ratio (CRAR):	As at March 31, 2023	As at March 31, 2022
Tier I capital	5,106,681	4,879,685
Tier II capital	1,147	858
Total capital	**5,107,828**	**4,880,543**
Risk weighted assets	**11,501,589**	**8,808,648**
CRAR (%)	44.41%	55.41%
CRAR - Tier I capital (%)	44.40%	55.40%
CRAR - Tier II capital (%)	0.01%	0.01%
Amount of subordinated debt considered as Tier II capital	-	-
Amount raised by issue of perpetual debt instruments	-	-

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33 Maturity analysis of assets and liabilities

(All amounts in INR thousands, unless otherwise stated)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Particulars	As at March 31, 2023			As at March 31, 2022		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial assets						
Cash and cash equivalents	3,597	-	3,597	12,274	-	12,274
Bank balance other than cash and cash equivalents	403,260	-	403,260	403,202	-	403,202
Investments*	-	17,057	17,057	-	209,799	209,799
Loans	6,118,050	5,353,088	11,471,138	6,032,400	2,549,027	8,581,427
Other financial assets	6,998	150	7,148	6,998	150	7,148
Total financial assets (A)	**6,531,905**	**5,370,295**	**11,902,200**	**6,454,874**	**2,758,976**	**9,213,850**
Non-financial assets						
Current tax assets (Net)	-	154,430	154,430	-	143,181	143,181
Property, plant and equipment	-	3,260	3,260	-	4,351	4,351
Intangible assets	-	2,016	2,016	-	3,527	3,527
Other non-financial assets	1,839	-	1,839	5,209	-	5,209
Total Non-financial assets (B)	**1,839**	**159,706**	**161,545**	**5,209**	**151,059**	**156,268**
Total assets (C = A+B)	**6,533,744**	**5,530,001**	**12,063,745**	**6,460,083**	**2,910,035**	**9,370,118**
Financial liabilities						
Payables						
(I) Trade payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	14,153	-	14,153	10,700	-	10,700
Debt securities	3,813,259	-	3,813,259	2,816,565	-	2,816,565
Borrowings (other than debt securities)	1,225,128	1,850,000	3,075,128	-	1,620,000	1,620,000
Other financial liabilities	671	-	671	856	-	856
Total financial liabilities (D)	**5,053,211**	**1,850,000**	**6,903,211**	**2,828,121**	**1,620,000**	**4,448,121**
Non-financial Liabilities						
Current tax liabilities (Net)	-	-	-	-	-	-
Provisions	3,263	-	3,263	2,077	-	2,077
Other non-financial liabilities	3,646	-	3,646	3,093	-	3,093
Total Non-financial liabilities (E)	**6,909**	**-**	**6,909**	**5,170**	**-**	**5,170**
Total liabilites (F = D+E)	5,060,120	1,850,000	6,910,120	2,833,291	1,620,000	4,453,291
Net (C-F)	1,473,624	3,680,001	5,153,625	3,626,792	1,290,035	4,916,827

* As per the maturity profile prescribed by RBI in master circular, non-mandatory unlisted securities should be classified over 5 years' bucket. Hence, mutual fund though liquid in nature had been classified under the said bucket. As on March 2023: NIL (March 2022: INR 192,742 '000)

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Chartered Accountants
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34 Fair value measurement

a) Financial Instruments by Category

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2A (v) to the financial statements.

Particulars	As at March 31, 2023			As at March 31, 2022		
	Fair value through Profit or Loss	Fair value through OCI	Amortised cost	Fair value through Profit or Loss	Fair value through OCI	Amortised cost
Financial Assets:						
Cash and cash equivalents	-	-	3,597	-	-	12,274
Bank balance other than cash and cash equivalents	-	-	403,260	-	-	403,202
Loans	-	-	11,471,138	-	-	8,581,427
Investments	-	17,057	-	192,742	17,057	-
Other financial assets	-	-	7,148	-	-	7,148
Total Financial Assets	-	**17,057**	**11,885,143**	**192,742**	**17,057**	**9,004,051**
Financial Liabilities:						
Trade payables	-	-	14,153	-	-	10,700
Debt securities	-	-	3,813,259	-	-	2,816,565
Borrowings (other than debt securities)	-	-	3,075,128	-	-	1,620,000
Other financial liabilities	-	-	671	-	-	856
Total Financial Liabilities	-	-	**6,903,211**	-	-	**4,448,121**

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(All amounts in INR thousands, unless otherwise stated)

34 Fair value measurement (Contd.)

b) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard.

The hierarchies used are as follows:

Level 1: Hierarchy includes financial instruments measured using quoted prices. The quoted equity securities are valued at quoted prices as per the stock exchange.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at March 31, 2023

Assets and liabilities for which fair values are disclosed	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Investments	6	-	-	17,057	17,057
Total financial assets		-	-	**17,057**	**17,057**

As at March 31, 2022

Assets and liabilities for which fair values are disclosed	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Investments	6	192,742	-	17,057	209,799
Total financial assets		**192,742**	-	**17,057**	**209,799**

i) There are no transfers between levels 1, 2 and 3 during the year.

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

The fair value of financial instruments are classified into three categories i.e. Level 1, 2 or 3 depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

c) Valuation technique used to determine fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

Specific valuation techniques used to value financial instruments include:

- The fair value of the remaining financial instruments is determined using discounted cash flow analysis and the discount rates used were adjusted for counterparty or own credit risk.

Valuation process

The credit risk management team performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the CRO and these valuations are reviewed by CFO.

The main level 3 inputs for loans against financial securities are discount rates, which are determined using weighted-average interest rates of loans sanctioned in March 2023 and March 2022.

d) Fair value of financial assets and liabilities measured at amortised cost

Particulars	As at March 31, 2023		As at March 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Loan against financial securities (LAS)	11,471,138	11,644,458	8,581,427	8,473,962
Total financial assets	**11,471,138**	**11,644,458**	**8,581,427**	**8,473,962**
Financial liabilities				
Debt securities	3,813,259	3,813,259	2,816,565	2,816,565
Borrowings	3,075,128	3,075,128	1,620,000	1,620,000
Total financial liabilities	**6,888,387**	**6,888,387**	**4,436,565**	**4,436,565**

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include, cash and bank balances, security deposits, other financial assets, trade and other payables, other financial liabilities, debt securities and borrowings. Such amounts have been classified as Level 3.

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35 Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk.The Company's risk management is carried out by the Company's Risk Management team (led by a CRO) under policies approved by the board of directors. The Company has a loan policy, which provides guidances for overall risk management, specifically credit risk and market risk. There is also an interest rate policy to manage interest rate risk and liquidity risk.

35.1 Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from loans and advances, and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports in to the CRO. Assessment of lending proposals includes assessment of borrower's background; financial strength and leverage; operational & financial performance track record; cash flows; valuation of collateral and similar parameters.

The Company offers a single product which is lending against financial securities (LAS). It is more than 100% secured product with regulatory risk weight assigned of 100%. A real-time risk monitoring system is put in place to assist the risk team to initiate the necessary margin call triggers and take necessary action including liquidation of collaterals to protect against the probable bad debts.

(a) Loans and advances (incl. loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under Ind AS 109. Refer to note 35.1(b) for more details.

Other financial assets

The Company has credit risk exposure in cash and cash equivalents, deposits with banks, and other financial assets. Cash and cash equivalents and bank deposits are held with only high rated banks/financial institutions only, therefore credit risk is perceived to be low.

Other financial assets pertain to security deposits for rented premises, margin deposit. The Company does not perceive any significant decline in credit risk of the lessors and hence expected probability of default is considered as low.

Customer Risk Rating (CRR)

The Company uses internal CRR rating model that enables its assessment of the probability of default of individual counterparties. The internal CRR is tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

The internal CRR is calibrated such that the risk of default increases exponentially at each higher CRR.

The Company has its own internal credit rating framework that is uses for rating of the borrowers at the time of sanction and during the annual re-rating exercise. Any other known information about the borrower which impacts their creditworthiness – such as unemployment and previous delinquency history – is also incorporated into the annual re-rating exercise. Based on the analysis done by the Company, the parameters in the rating model (borrower strength, operating risk, market risk, financials, etc.) are given a score between 1 (highest) to 10 (lowest). The internal rating is based on the final score derived from the credit rating model.

Refer to table below for details:

Internal score	Description of the grade
0.1, 1.1, 1.2	Minimum Default Risk
2.1, 2.2	Low Default Risk
3.1, 3.2, 3.3	Satisfactory Default Risk
4.1, 4.2, 4.3	Fair Default Risk
5.1, 5.2, 5.3	Moderate Default Risk
6.1, 6.2	Significant Default Risk
7.1, 7.2	High Default Risk
8.1, 8.2, 8.3	Special Management
9, 10	Default

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Chartered Accountants
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35.1 Credit risk management (Contd.)

(b) Expected credit loss measurement

Ind AS 109 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 35.1(b)(i) for a description of how the Company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 35.1(b)(ii) for a description of how the Company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 35.1(b)(iv) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with Ind AS 109 is that it should consider forward-looking information. Note 35.1(b)(v) includes an explanation of how the Company has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under Ind AS 109 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

(i) Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The credit risk on a financial asset of the Company are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Accordingly, the financial assets shall be classified as Stage 2, if on the reporting date, it has been more than 30 days past due. It may be kept in mind that the Company's Risk Management team can initiate sale of securities through invocation, to regularise the contractual payments due to the Company.

Qualitative criteria:

For all financial instruments held by the Company, if the borrower is on the watch, worry, monitor list and/or the instrument meets one or more of the following criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans
- The CRR of the borrower deteriorates to Significant Default Risk (internal score: 6.1, 6.2) / High Default Risk (internal score: 7.1, 7.2)

The assessment of SICR incorporates forward-looking information (refer to note 35.1(b)(v) for further information) and is performed on a monthly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Risk Management team.

Backstop

The Company enjoys more than 100% collateral cover. There is a theoretical possibility that factors beyond the control of the Risk Management team may impact the realisability of security cover. Amongst other things, some such factors are listed below:

- Injunction on borrower, which prevents the Company from selling the collateral cover
- Regulatory advise on no sale of securities
- Underlying collateral security is locked on the lower circuit or have only sellers in the stocks

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35.1 Credit risk management (Contd.)

(ii) Definition of default and credit-impaired assets

Borrowers for whom the CRR has deteriorated to Special Management (internal score: 8.1, 8.2, 8.3) / Default (internal score: 9, 10), are considered to be credit-impaired.

In the SICR section above, the potential impact of factors beyond the control of the Risk Management team has been enumerated. Apart from the uncontrollable factors, the Company does not foresee a scenario where the financial instruments would be credit-impaired, by virtue of one or more of the following criteria:

- The Company is conservative in its' customer selection criteria
- The Company observes an internal rating criteria before onboarding new customers and before renewing limits for existing customers
- The Company accepts collateral cover only for eligible securities. The criteria for determining eligible securities is described in the loan policy for each category of collateral (equity shares, mutual funds, bonds etc.)
- In the past 3 years, HIFSL has not witnessed any Credit defaults or Credit losses on the LAS as a product. All loans are Stage 1 assets with a satisfactory historical repayment behavior.
- The loans offered have a contractual tenor of 12-36 months. Loans with a contractual tenor of more than 12 months are subject to annual review and approval. All the loans have a put/call option for the borrower/lender respectively.
- All financial collateral are valued on a continuing basis vis-a-vis the loan exposure for any shortfall which are required to be regularised in a maximum of 7 working day's time. Else, the financial collateral are subject to sell off.
- Any financial collateral showing quality deterioration is required to be swapped with better quality security as advised by Risk Management team.
- All loans are demand loans recallable with a short notice.

(iii) Upgradation from higher stage to lower stage

For upgradation from higher stage to lower stage (i.e. to have cured):

Loan and advances is not moved from higher stage to lower stage immediately after payment of overdue amount, following cooling off period is applied:

From Stage 2 to Stage 1

- Contractual payments are in lower than 30 days past due for at least six months

This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(iv) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking economic information is also included in determining the PD, EAD and LGD. Refer to note 35.1(b)(v) for an explanation of forward-looking information and its inclusion in ECL calculations.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(v) Forward-looking information incorporated in the ECL model

The assessment of SICR incorporates forward-looking information. All loans are Stage 1 assets with a satisfactory historical repayment behaviour. The Company's LAS portfolio comprises highly liquid financial collateral which are valued on a continuing basis vis-a-vis the loan exposure for any shortfall which are required to be regularised in a maximum of 7 working day's time. Else, the financial collateral are subject to sell off.

In the SICR section above, the potential impact of factors beyond the control of the Risk Management team has been enumerated. Apart from the uncontrollable factors, it is unlikely that any of the Stage 1 assets would move to Stage 2.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, which are likely to culminate into reduction in realisable value of collateral securities are built in through the annual stress-testing exercise (which is a regulatory requirement). The portfolio is stress-tested under various scenarios to arrive at the impact analysis on the loan portfolio, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

Chartered Accountants
LLPIN AAC-5001
Price Waterhouse Chartered Accountants LLP
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Mumbai

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35.1 Credit risk management (Contd.)

(vi) Financial assets measured on a collective basis

ECL is calculated on a collective basis for the entire LAS porfolio.

(vii) Account review method

Drawing power ratio is the percentage of loan over the net value of securities.

$$\text{Drawing Power Ratio: } \frac{(\text{Value of Security after haircut}) * 100}{\text{Loan Outstanding}}$$

On a daily basis, the risk report will be generated taking the latest end of day price and DP ratio is ascertained. Where the DP ratio is less than 95%, the margin call will be raised to customer. In case of extreme fall in the market, an intraday risk report is prepared and necessary actions are taken for margin shortfall by credit risk team.

Based on Drawing Power Ratio, the loans would be categorized as follows:

Margin Call	Drawing Power (ratio)	Category	Course of Action	Time Lines for action – Equity shares *	Time Lines for action – Other Securities **
Not applicable	95% - 100% (>97% for Securities with security portfolio LTV of greater than equal to 80%)	Normal Loans	Shortfall notice	Within 7 (Seven) working Days failing which positions will be squared off	No action required.
Margin Call	85 - 95 % (97% for Securities with security portfolio LTV of greater than equal to 80%)	Y Category Loans	Shortfall notice	7 (Seven) Working Days to top the margins failing which positions will be squared off.	7 (Seven) Working Days to top the Margins failing which positions will be squared off.
Square off	< 85 % (94% for securities with security portfolio LTV of greater than equal to 80%)	YY Category Loans	Square off after appropriate intimation to customer.	Immediate Square off after giving appropriate intimation to the borrower.	Immediate Square off after giving appropriate intimation to the borrower.

* For any high risk lending against equity shares or mutual funds (for e.g. single stock lending, promoter lending, etc.) case, the stringent timeline of five working days for the Category "Y" shortfall shall apply.

** Any mixed collateral securities portfolio with more than 65% equity shares composition will be considered as a 100% equity portfolio for Margin Call management and process. All regularization timelines as applicable for a 100% Equity Shares portfolio shall apply to such a portfolio.

(c) Credit risk exposure

(i) Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

Asset group	Internal rating grade	As at March 31, 2023			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	**Performing**				
	Minimum Default Risk	-	-	-	-
	Low Default Risk	-	-	-	-
	Satisfactory Default Risk	11,134,810	-	-	11,134,810
	Fair Default Risk	337,474	-	-	337,474
	Moderate Default Risk	-	-	-	-
	Significant Default Risk	-	-	-	-
	High Default Risk	-	-	-	-
	Special Management	-	-	-	-
	Default	-	-	-	-
	Non- performing				
	Individually impaired	-	-	-	-
Total	**Total**	**11,472,285**	**-**	**-**	**11,472,285**

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35.1 Credit risk management (Contd.)

Asset group	Internal rating grade	As at March 31, 2022			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	**Performing**				
	Minimum Default Risk	-	-	-	-
	Low Default Risk	-	-	-	-
	Satisfactory Default Risk	8,188,325	-	-	8,188,325
	Fair Default Risk	393,960	-	-	393,960
	Moderate Default Risk	-	-	-	-
	Significant Default Risk	-	-	-	-
	High Default Risk	-	-	-	-
	Special Management	-	-	-	-
	Default	-	-	-	-
	Non- performing				
	Individually impaired	-	-	-	-
Total	**Total**	**8,582,284**	-	-	**8,582,284**

(ii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Company prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types are:

- Listed stocks
- Units of mutual funds (both equity & debt schemes including Fixed Maturity Plans)
- Bonds (sovereign and corporate)

The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

As per the contractual terms, collateral is permitted to be sold on event of default (Refer Note 35.1(b)(vii))

Particulars	Gross exposure to credit risk	Impairment allowance*	Carrying amount	Fair value of collateral held#
As at March 31, 2023				
- Loan against financial securities (LAS)	11,472,285	(1,147)	11,471,138	31,740,142
Total	**11,472,285**	**(1,147)**	**11,471,138**	**31,740,142**
As at March 31, 2022				
- Loan against financial securities (LAS)	8,582,285	(858)	8,581,427	25,100,760
Total	**8,582,285**	**(858)**	**8,581,427**	**25,100,760**

* Impairment allowance: 0.01% for March 31, 2023; 0.01% for March 31, 2022

Fair value of collateral held includes collateral amount againt which no loan is outstanding as at March 31, 2023 and March 31, 2022.

(iii) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk in the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 35.1(c)).

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35.1 Credit risk management (Contd.)

An analysis of change in the gross carrying amount of the loan portfolio and corresponding loss allowance:

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the loss allowance tor the same portfolio as discussed below:

Asset group	Particulars	Year ended March 31, 2023			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	8,582,285	-	-	8,582,285
	Loans given	11,447,892	-	-	11,447,892
	Loans repaid (including partial repayments)	(8,557,892)	-	-	(8,557,892)
	Closing balance	**11,472,285**	-	-	**11,472,285**

Asset group	Particulars	Year ended March 31, 2022			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	5,967,653	-	-	5,967,653
	Loans given	13,160,494	-	-	13,160,494
	Loans repaid (including partial repayments)	(10,545,862)	-	-	(10,545,862)
	Closing balance	**8,582,285**	-	-	**8,582,285**

The following table explains the changes in the loss allowance between the beginning and at the end of the annual period due to various factors:

Asset group	Particulars	Year ended March 31, 2023			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	858	-	-	858
	Loans given	1,145	-	-	1,145
	Loans repaid (including partial repayments)	(856)	-	-	(856)
	Net remeasurement of loss allowance	-	-	-	0
	Closing balance	**1,147**	**0**	**0**	**1,147**

Asset group	Particulars	Year ended March 31, 2022			Total
		Stage 1	Stage 2	Stage 3	
Loan against financial securities (LAS)	Opening balance	597	-	-	597
	Loans given	1,316	-	-	1,316
	Loans repaid (including partial repayments)	(1,055)	-	-	(1,055)
	Net remeasurement of loss allowance	-	-	-	-
	Closing balance	**858**	-	-	**858**

(d) Write-off policy

Margin calls letters are sent to customers whenever there is margin shortfall. In case customer fails to timely top-up the margins and brings it to approved levels, sale of the securities will be initiated by Relationship Managers. Pledge / Lien on Stocks / Other Security will be invoked fully or partially and same will be liquidated to clear the margin shortfall and other dues, if any. In the event of shortfall of securities to cover the outstanding dues, the Company shall initiate appropriate legal action against the customer based on the documentation executed with the customer. Excess fund balance, if any, will be transferred to customer's registered bank account with HIFSL and excess securities will be freed from pledge/lien, post clearing of dues on the account.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended March 31, 2023 was NIL (March 31, 2022 -NIL).

(e) Concentration of credit risk

There are no significant concentrations of credit risk to specific industry sectors and/or regions. For concentration of credit risk to customers, refer note 40 part 19.

(f) Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 35.1.

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35.2 Liquidity risk and funding management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

a) Financing arrangements

The Company had access to the following undrawn borrowing facilities, including committed lines, at the end of the reporting period:

Particulars	As at March 31, 2023	As at March 31, 2022
Floating rate		
-Expiring within one year (bank overdraft and other facilities, with renewal option)	2,005,483	1,230,000
-Expiring beyond one year (other facilities)	900,000	1,130,000

b) Maturity of financial assets and financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities as at the year end. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The Company does not have any derivative financial liabilities.

As at March 31, 2023

		Within 12 months			After 12 months		
Contractual maturities of financial assets and financial liabilities	Carrying Amount	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Total
Financial assets							
Cash and cash equivalents	3,597	3,597	-	-	-	-	**3,597**
Bank balance other than cash and cash equivalents above	403,260	325,701	1,164	79,908	-	-	**406,773**
Loans	11,471,138	1,365,903	1,462,678	4,066,058	2,674,260	3,830,539	**13,399,438**
Investments	17,057	-	-	-	-	17,057	**17,057**
Other financial assets	7,148	6,998	-	-	-	150	**7,148**
Total assets	**11,902,200**	**1,702,199**	**1,463,842**	**4,145,966**	**2,674,260**	**3,847,746**	**13,834,013**
Financial liabilities							
Trade payables	14,153	11,187	907	2,059	-	-	**14,153**
Debt securities	3,813,259	3,850,000	-	-	-	-	**3,850,000**
Borrowings (other than debt securities)	3,075,128	1,224,678	31,754	104,724	2,085,634	-	**3,446,790**
Other financial liabilities	671	-	-	671	-	-	**671**
Total liabilities	**6,903,211**	**5,085,865**	**32,661**	**107,454**	**2,085,634**	**-**	**7,311,614**

As at March 31, 2022

		Within 12 months			After 12 months		
Contractual maturities of financial assets and financial liabilities	Carrying Amount	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Total
Financial assets							
Cash and cash equivalents	12,274	12,274	-	-	-	-	**12,274**
Bank balance other than cash and cash equivalents above	403,202	295,064	1,301	111,147	-	-	**407,512**
Loans	8,581,427	831,180	1,038,826	4,599,110	1,363,401	1,693,318	**9,525,834**
Investments	209,799	192,742	-	-	-	17,057	**209,799**
Other financial assets	7,148	-	-	6,998	-	150	**7,148**
Total assets	**9,213,850**	**1,331,260**	**1,040,127**	**4,717,255**	**1,363,401**	**1,710,525**	**10,162,567**
Financial liabilities							
Trade payables	10,700	9,743	130	828	-	-	**10,701**
Debt securities	2,816,565	2,100,000	750,000	-	-	-	**2,850,000**
Borrowings (other than debt securities)	1,620,000	24,718	24,990	49,436	198,288	1,710,180	**2,007,612**
Other financial liabilities	856	-	-	856	-	-	**856**
Total liabilities	**4,448,121**	**2,134,461**	**775,120**	**51,120**	**198,288**	**1,710,180**	**4,869,169**

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HSBC InvestDirect Financial Services (India) Limited Mumbai

(All amounts in INR thousands, unless otherwise stated)

35.3 Market Risk

Market risk is that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and price movements.

a) Interest rate risk - lending

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company's main interest rate risk arises from lending with variable rates, which expose the Company to cash flow interest rate risk. As at March 31, 2023 and March 31, 2022, the Company's lending portfolio at variable rate are denominated in Indian Rupees.

i) Interest rate risk exposure

The exposure of the Company's lending portfolio to interest rate changes at the end of the reporting periods/years are as follows:

Particulars	As at March 31, 2023	As at March 31, 2022
Variable rate loans*	11,472,285	8,582,285
Fixed rate loans	-	-
Total	11,472,285	8,582,285

* The loan amounts are the gross carrying value

As at the end of the reporting period, the Company had the following variable rate loan (asset) outstanding:

As at March 31, 2023	Weighted average interest rate	Balance	% of total loans
Loans	8.67%	11,472,285	100%

As at March 31, 2022	Weighted average interest rate	Balance	% of total loans
Loans	6.89%	8,582,285	100%

ii) Sensitivity

Profit and loss is sensitive to higher/lower interest income from variable rate loans as a result of changes in interest rates.

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2023	Year ended March 31, 2022
Interest rates – increase by 60 (March 31, 2022: 60) basis points	50,967	38,263
Interest rates – decrease by 60 (March 31, 2022: 60) basis points	(50,967)	(38,263)

The sensitivity is derived holding all other variables constant

b) Interest rate risk exposure - borrowings

i) Interest rate risk exposure - borrowings

The exposure of the Company's borrowing portfolio to interest rate changes at the end of the reporting periods/years are as follows:

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Overdraft from Bank	175,128	-
Working Capital Demand Loan	1,050,000	-
Loan from the holding Company	1,850,000	1,620,000
Variable rate loans	3,075,128	1,620,000
Commercial papers	3,813,259	2,816,565
Fixed rate loans	3,813,259	2,816,565
Total	6,888,387	4,436,565

As at the end of the reporting period, the Company had the following variable rate borrowings outstanding:

As at March 31, 2023	Weighted average interest rate	Balance	% of total loans
Borrowings (other than debt securities)	7.04%	3,075,128	45%

As at March 31, 2022	Weighted average interest rate	Balance	% of total loans
Borrowings (other than debt securities)	6.12%	1,620,000	37%

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HSBC InvestDirect Financial Services (India) Limited Mumbai

(All amounts in INR thousands, unless otherwise stated)

35.3 Market Risk (Contd.)

(All amounts in INR thousands, unless otherwise stated)

ii) Sensitivity

Profit and loss is sensitive to higher/lower interest income/(expense) from variable rate loans as a result of changes in interest rates.

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2023	Year ended March 31, 2022
Interest rates – increase by 60 (March 31, 2022: 60) basis points	(13,804)	(7,274)
Interest rates – decrease by 60 (March 31, 2022: 60) basis points	13,804	7,274

The sensitivity is derived holding all other variables constant.

c) Interest rate risk exposure - investments in debt oriented mutual funds

The Company is exposed to interest rate risk from investments held in debt oriented mutual fund units. These funds invest in debt securities. The exposure to interest rate risk in case of units backed by debt securities is measured using sensitivity analysis as follows:

Particulars	Impact on profit after tax and equity	
	Year ended March 31, 2023	Year ended March 31, 2022
91 days T-bill - increase by 100 basis points	-	1,978
91 days T-bill - decrease by 100 basis points	-	(1,978)

d) Foreign currency risk

The Company does not have any foreign currency denominated exposures in respect of financial assets and financial liabilities as at the balance sheet date that will result in net currency gains or losses in the statement of profit and loss due to change foreign currency exchange rates.

e) Price risk

The Company does not have exposures in respect of financial assets and financial liabilities as at balance sheet date that will result in changes in statement of profit or loss or equity due to change in prices.

(All amounts in INR thousands, unless otherwise stated)

36 Related party transactions (As per Ind AS 24)

As per Ind AS 24 on 'Related Party Disclosure', as prescribed by the Rules, the related parties are as follows:

(a) Name of related Parties and nature of relationship.

1. Holding Company
HSBC InvestDirect (India) Private Limited

2. Ultimate Holding Company
HSBC Holdings Plc

3. Intermediate Holding Company
HSBC Securities and Capital Markets (India) Private Limited

4. Post Employement Benfit Plan (PEBP)
HSBC InvestDirect Financial Services (India) Limited Employee Gratuity Trust

5. Fellow Subsidiaries/ Enterprises managed by subsidaries
HSBC Violet Investments (Mauritius) Limited
HSBC InvestDirect Sales & Marketing (India) Limited
HSBC InvestDirect Securities (India) Private Limited
HSBC Asset Management (India) Private Limited
L&T Investment Management Limited
HSBC Software Development (India) Private Limited
HSBC Electronic Data Processing India Private Limited.
HSBC Group Management Services Limited
The Hongkong and Shanghai Banking Corporation Limited - India Branches

6. Key Managerial Personnel (KMP):
Mr. Berlin Varghese, Managing Director (appointed w.e.f April 03, 2023)
Mr. Shantanu Shankar, Managing Director (resigned w.e.f March 18 , 2023)
Mr. Sanket Sanghavi, Additional Director (Non-Executive) (appointed w.e.f. February 01, 2023)
Ms. Roopa Varma, Chairperson & Additional Director (Non-Executive) (appointed w.e.f. February 01, 2023)
Mr. Madhur Malviya - Director (resigned w.e.f. 13 April 2022)
Mr. Deepak Sarup - Director (resigned w.e.f. November 16, 2022)
Mr. Brij Bhushan - Director
Ms. Payal Rajesh Advani - Director

(b) Transactions during the year with related parties:

Particulars	Holding Company	Fellow Subsidiaries/ Enterprise managed by Subsidaries	KMP	PEBP	Intermediate holding Company	Ultimate holding Company
Interest on Line of Credit	110,784 (99,101)	- (-)	- (-)	- (-)	- (-)	- (-)
Professional fees	- (-)	1,814 (1,127)	- (-)	- (-)	862 (597)	- (-)
Rent	- (-)	10,196 (12,301)	- (-)	- (-)	- (-)	- (-)
Repair and Maintenance	- (-)	181 (81)	- (-)	- (-)	- (-)	- (-)
Miscellaneous expenses	- -	1,328 (896)	- (-)	- (-)	- (-)	- (-)
Director sitting fees	- (-)	- (-)	- (575)	- (-)	- (-)	- (-)
Contribution to gratuity trust	- (-)	- (-)	- (-)	1,150 (312)	- -	- (-)
Margin deposit placed	- (-)	- (-)	- (-)	- (-)	135,900 (38,100)	- (-)
Margin deposit refunded	- (-)	- (-)	- (-)	- (-)	135,900 (40,600)	- (-)
Security deposit placed	- (-)	- (2,419)	- (-)	- (-)	- (-)	- (-)

Amounts in brackets represents amount relating to previous year

(All amounts in INR thousands, unless otherwise stated)

36 Related party transactions (As per Ind AS 24) (Contd.)

(c) Outstanding balances at the year end with related parties:

Particulars	Holding Company	Fellow Subsidiaries/ Enterprise managed by Subsidaries	KMP	PEBP	Intermediate holding Company	Ultimate holding Company
Bank balance (in current account)						
31-Mar-23	-	3,371	-	-	-	-
31-Mar-22	-	97	-	-	-	-
Security deposits						
31-Mar-23	-	6,998	-	-	-	-
31-Mar-22	-	6,998	-	-	-	-
Investments						
31-Mar-23	-	17,057	-	-	-	-
31-Mar-22	-	17,057	-	-	-	-
Borrowings						
31-Mar-23	1,850,000	-	-	-	-	-
31-Mar-22	1,620,000	-	-	-	-	-
Trade payables						
31-Mar-23	-	3,211	-	-	321	-
31-Mar-22	-	2,234	-	-	148	-
Gratuity Payable to the Trust						
31-Mar-23	-	-	-	2,455	-	-
31-Mar-22	-	-	-	1,353	-	-

37 Core Investment Company (CIC) as part of group companies

The Company is wholly owned subsidiary of HSBC InvestDirect (India) Private Limited "formerly known as HSBC InvestDirect (India) Limited" (HIDL). HIDL was incorporated on September 1, 1997 and principal activity of HIDL is investing in and providing loans to subsidiaries, associates and employees' welfare trusts. Based on RBI CIC regulations and amendments thereto, the Company does not meet criteria of Systemically Important CICs (CIC-ND-SI) and consequently does not require registration with RBI. There are no other CICs within the group.

38 Utilisation of Borrowed funds and share premium

A. The Company has not advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall
(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or
(ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

B.The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
(ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

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39 Comparison between provisions required under IRACP and impairment allowances made under Ind AS 109

(All amounts in INR thousands, unless otherwise stated)

As at March 31, 2023

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	5 = 3-4	6	7 = 4-6
Performing Assets						
Standard	Stage 1	11,472,285	1,147	11,471,138	45,889	(44,742)
	Stage 2	-	-	-	-	-
Subtotal		**11,472,285**	**1,147**	**11,471,138**	**45,889**	**(44,742)**
Non-Performing Assets						
Substandard	Stage 3	-	-	-	-	-
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful						
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	**Stage 1**	11,472,285	1,147	11,471,138	45,889	(44,742)
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	Total	**11,472,285**	**1,147**	**11,471,138**	**45,889**	**(44,742)**

As at March 31, 2022

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	5 = 3-4	6	7 = 4-6
Performing Assets						
Standard	Stage 1	8,582,285	858	8,581,427	34,329	(33,471)
	Stage 2	-	-	-	-	-
Subtotal		**8,582,285**	**858**	**8,581,427**	**34,329**	**(33,471)**
Non-Performing Assets						
Substandard	Stage 3	-	-	-	-	-
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful						
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	**Stage 1**	8,582,285	858	8,581,427	34,329	(33,471)
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	Total	**8,582,285**	**858**	**8,581,427**	**34,329**	**(33,471)**

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Chartered Accountants
Mumbai

Services (India) Limited
Mumbai

40 NBFC disclosures

(Amount in Rs. crore)

1. Capital to Risk Assets Ratio (CRAR)

Particulars	As at March 31, 2023	As at March 31, 2022
(i) CRAR (%)	44.41%	55.41%
(ii) CRAR -Tier I Capital (%)	44.40%	55.40%
(iii) CRAR -Tier II Capital (%)	0.01%	0.01%
(iv) Amount of subordinated debt raised as Tier II capital	-	-
(v) Amount raised by issue of Perpetual Debt Instruments	-	-

2. Liquidity Coverage Ratio

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Liquidity Coverage Ratio (%)	Not applicable	Not applicable

3. Investments:

Particulars	As at March 31, 2023	As at March 31, 2022
(1)		
(i) Gross Value of Investments		
(a) In India	1.71	20.98
(b) Outside India	-	-
(ii) Provisions for Depreciation *		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	1.71	20.98
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments. *		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

* Refer note 6

4. Derivatives:

The Company has no transactions / exposures in derivatives in the current and previous year.

5. Disclosures relating to Securitisation:

The Company has not sold loans through Securitisation in the current and previous year.

6. Details of financial assets sold to securitisation / reconstruction Company for asset reconstruction

The Company has not sold financial assets to Securitisation / Reconstruction Companies for asset reconstruction in the current and previous year.

7. Details of assignment transactions undertaken:

The Company has not undertaken assignment transactions in the current and previous year.

8. Details of non-performing financial assets purchased / sold:

The Company has not purchased /sold non-performing financials assets in the current and previous year.

9. Asset Liability Management Maturity pattern of certain items of Assets and liabilities

Particulars	0 day to 7 days	8 days to 14 days	15 days to 30/31 days (One month)	Over 1 Months upto 2 Months	Over 2 Months upto 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
Deposits											
March 31, 2023	-	-	-	-	-	-	-	-	-	-	-
March 31, 2022	-	-	-	-	-	-	-	-	-	-	-
Loans and advances											
March 31, 2023	11.89	2.85	72.20	4.64	21.78	124.62	373.88	188.36	347.00	-	1,147.22
March 31, 2022	6.33	0.15	41.47	13.75	7.40	90.89	443.31	104.68	150.25	-	858.23
Investments											
March 31, 2023	-	-	-	-	-	-	-	-	-	1.71	1.71
March 31, 2022	-	-	-	-	-	-	-	-	-	20.98	20.98
Fixed deposits with banks											
March 31, 2023	4.90	9.50	7.78	9.86	0.33	-	7.96	-	-	-	40.33
March 31, 2022	0.02	11.49	7.91	9.93	0.00	-	10.96	-	-	-	40.31
Borrowings											
March 31, 2023	2.20	44.07	177.89	53.76	222.44	-	3.47	185.00	-	-	688.83
March 31, 2022	-	-	59.79	49.76	98.91	73.20	-	-	162.00	-	443.66
Foreign currency assets											
March 31, 2023	-	-	-	-	-	-	-	-	-	-	-
March 31, 2022	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities											
March 31, 2023	-	-	-	-	-	-	-	-	-	-	-
March 31, 2022	-	-	-	-	-	-	-	-	-	-	-

10. Exposures:

Exposure to Capital Market

	Particulars	March 31, 2023	March 31, 2022
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;#	-	-
(ii)	advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	89.91	30.83
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security * ;	1529.00	1285.41
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	-	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows / issues;	-	-
(viii)	all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market		1,618.91	1,316.24

* This exposure includes advances for any purposes secured by debt-oriented mutual funds and bonds.

40 NBFC disclosures (Continued) (Amount in Rs.crore)

The Company has no exposure to real estate sector in the current and previous year.

Exposure to Sectoral Market

	Current Year			Previous Year		
	Total Exposure (includes on balance sheet and off-balance sheet	Gross NPAs (₹ crore)	Percentage of Gross NPAs to total exposure in that sector	Total Exposure (includes on balance sheet and off-balance sheet	Gross NPAs (₹ crore)	Percentage of Gross NPAs to total exposure in that sector
1. Agriculture and Allied Activities	-	-	-	-	-	-
2. Industry	-	-	-	-	-	-
i....						
ii....						
Others						
Total of Industry (i+ii+...+Others)						
3. Services	-	-	-	-	-	-
i...						
ii...						
Others						
Total of Services (i+ii+...+Others)						
4. Personal Loans	-	-	-	-	-	-
i...						
ii...						
Others						
Total of Personal						
5. Others, if any i.Loan Against Securities	1,147.23	-	-	858.23	-	-

The disclosures as above shall be based on the sector-wise and industry-wise bank credit (SIBC) return submitted by scheduled commercial banks to the Reserve Bank and published by Reserve Bank II. In the disclosures as above, if within a sector, exposure to a specific sub-sector/industry is more than 10 per cent of Tier I Capital of a NBFC, the same shall be disclosed separately within that sector. Further, within a sector, if exposure to specific sub-sector/industry is less than 10 per cent of Tier I Capital, such exposures shall be clubbed and disclosed as "Others" within that sector.

The Company has no Intra Group exposure in the current and previous year.

The Company has no exposure to unhedge foreign currency in the current and previous year.

11. Details of financing of parent Company products:
This disclosure is not applicable as the Company does not finance parent Company products.

12. Single Borrower Limit (SGL) / Group Borrower Limit (GBL) are not exceeded by the Company

13. Unsecured Advances - The Company has no Unsecured Advances in the current and previous year.

14. Registration obtained from other financial sector regulators: NIL

15. Disclosure of Penalties imposed by RBI and other regulators:
No penalty was imposed by RBI and SEBI.
During the FY 2022-2023, the Company had filed for satisfaction of four charges against the Company with a delay. The Ministry of Corporate Affairs (MCA) has condone the delay in satisfaction of the said charges with a payment of INR 1,15,000 for each charge, amounting to INR 4,60,000. The Company has filed the Order of condonation with the MCA for the said satisfaction, however due to migration of MCA portal from version 2 to version 3, the satisfaction status of charges is awaited to be reflected on the portal.

16. Ratings assigned by credit rating agencies and migration of ratings during the year:

Instrument category	March 31, 2023		March 31, 2022	
	Fitch Rating	S&P Global	Fitch Rating	S&P Global
Short term debt	IND A1+	-	IND A1+	-
Long term debt	IND AAA/ Stable	-	IND AAA/ Stable	-
Short term debt	-	CRISIL A1+	-	CRISIL A1+

17. Provisions and Contingencies

Particulars	March 31, 2023	March 31, 2022
Break up of 'Provisions and Contingencies' shown under the head Statement of Profit and Loss		
Provisions for depreciation on Investment	-	-
Provision towards NPA	-	-
Provision made towards Income tax	8.31	3.69
Other Provision and Contingencies (with details)		
Provision made for impairment of trademark arrangements	-	-
Provision for Standard Assets	0.03	0.03

18. Draw Down from Reserves:
There has been no draw down from reserves during the current and previous year.

19. Concentration of Advances and Exposures:

Particulars	March 31, 2023	March 31, 2022
Concentration of Advances		
Total Advances to twenty largest borrowers	805.40	628.26
% of Advances to twenty largest borrowers to Total Advances	70%	73%
Concentration of Exposures		
Total Exposure to twenty largest borrowers / customers	939.00	817.00
% of Exposures to twenty largest borrowers / customers to Total Exposure	51%	56%
Concentration of NPAs		
Total Exposure to top four NPA accounts	-	-

Particulars	March 31, 2023	March 31, 2022
Sector-wise NPAs (% of NPAs / Total Advances in that sector)		
Agriculture & allied activities	-	-
Micro, small and medium enterprises	-	-
Corporate borrowers	-	-
Services	-	-
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	-	-
Others	-	-

40 NBFC disclosures (Continued) (Amount in Rs.crore)

20. Disclosure of customer complaints:

Particulars	March 31, 2023	March 31, 2022
	No. of complaints	
No. of complaints pending at the beginning of the year	-	-
No. of complaints received during the year	-	-
No. of complaints redressed during the year	-	-
No. of complaints pending at the end of the year	-	-

The Company has a Customer Grievance Redressal Mechanism for convenience of customers to register their complaints and for the Company to monitor and redress them.

21. In accordance with RBI Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 1, 2016 (Updated upto May 16, 2019), the following are the additional disclosures required under the format as prescribed vide paragraph 16 of Non-Banking Financial Company – Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016.

		Amount outstanding		Amount overdue	
Liabilities:		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
1. Loans and advances availed by the non banking financial Company inclusive of interest accrued thereon but not paid:					
(a)	Debentures (other than falling within the meaning of public deposits)				
	: Secured	-	-	-	-
	: Unsecured	-	-	-	-
(b)	Deferred Credits	-	-	-	-
(c)	Term Loans	-	-	-	-
(d)	Inter-Corporate Loans and Borrowing	185.00	162.00	-	-
(e)	Commercial Paper	381.33	281.66	-	-
(f)	Other Loans	-	-	-	-
	(i) Short Term Loans	105.00	-	-	-
	(ii) Bank Overdraft	17.51	-	-	-
	(iii) Line of Credit	-	-	-	-
Total		688.84	443.66	-	-

		Amount outstanding		Amount overdue	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
2. Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:					
(a)	Secured	1,147.23	858.23	-	-
(b)	Unsecured	-	-	-	-

		Amount outstanding		Amount overdue	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
3. Break up of Leased Assets and stock on hire and other assets counting towards Asset Finance Company ('AFC') activities					
(i)	Lease assets including lease rentals under sundry debtors				
	(a) Financial Lease	-	-	-	-
	(b) Operating Lease	-	-	-	-
(ii)	Stock on hire including hire charges under sundry debtors:				
	(a) Assets on hire	-	-	-	-
	(b) Repossessed assets	-	-	-	-
(iii)	Other loans counting towards Asset Finance Company activities:				
	(a) Loans where assets have been repossessed	-	-	-	-
	(b) Loans other than (a) above	-	-	-	-

			Amount outstanding		Amount overdue	
			March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
4. Break-up of Investments						
Current Investments:						
1	Quoted :					
	(i) Shares:	(a) Equity	-	-	-	-
		(b) Preference	-	-	-	-
	(ii) Debentures and Bonds		-	-	-	-
	(iii) Units of Mutual Funds		-	19.27	-	-
	(iv) Government Securities		-	-	-	-
	(v) Others		-	-	-	-
2	Unquoted :					
	(i) Shares:	(a) Equity	-	-	-	-
		(b) Preference	-	-	-	-
	(ii) Debentures and Bonds		-	-	-	-
	(iii) Units of Mutual Funds		-	-	-	-
	(iv) Government Securities		-	-	-	-
	(v) Others		-	-	-	-
	Long Term Investments :					
1	Quoted					
	(i) Shares:	(a) Equity	-	-	-	-
		(b) Preference	-	-	-	-
	(ii) Debentures and Bonds		-	-	-	-
	(iii) Units of Mutual Funds		-	-	-	-
	(iv) Government Securities		-	-	-	-
	(v) Others		-	-	-	-
2	Unquoted :					
	(i) Shares:	(a) Equity#	1.71	1.71	-	-
		(b) Preference	-	-	-	-
	(ii) Debentures and Bonds		-	-	-	-
	(iii) Units of Mutual Funds		-	-	-	-
	(iv) Government Securities		-	-	-	-
	(v) Others		-	-	-	-

Includes investments in HSBC InvestDirect Securities (India) Private Limited of Rs. 30 which is fully provided.

5. Borrower group-wise classification of all Leased Assets, Stock on Hire and Loans and

Category		March 31, 2023			March 31, 2022		
			Amount (Net of Provisions)			Amount (Net of Provisions)	
		Secured	Unsecured	Total	Secured	Unsecured	Total
1	Related Parties**						
	(a) Subsidiaries	-	-	-	-	-	-
	(b) Companies in the same	-	-	-	-	-	-
	(c) Other related parties	-	-	-	-	-	-
2	Other than related parties	1,147.11	-	1,147.11	858.14	-	858.14
Total		1,147.11	-	1,147.11	858.14	-	858.14

** As per IND AS notified by Company Act, 2013

Price Waterhouse Chartered Accountants LLP
FRN 012754N/N500016

HSBC InvestDirect Financial Services (India) Limited
Mumbai

40 NBFC disclosures (Continued)

(Amount in Rs.crore)

5. Borrower group-wise classification of all Leased Assets, Stock on Hire and Loans and

Category		March 31, 2023 Secured	March 31, 2023 Amount (Net of Provisions) Unsecured	March 31, 2023 Total	March 31, 2022 Secured	March 31, 2022 Amount (Net of Provisions) Unsecured	March 31, 2022 Total
1	Related Parties**						
	(a) Subsidiaries	-	-	-	-	-	-
	(b) Companies in	-	-	-	-	-	-
	(c) Other related parties	-	-	-	-	-	-
2	Other than related parties	1,147.11	-	1,147.11	858.14	-	858.14
Total		1,147.11	-	1,147.11	858.14	-	858.14

** As per IND AS notified by Company Act, 2013

6. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) (Please see Note 3 below):

	Category	March 31, 2023 Market Value / Break up or fair value or NAV	March 31, 2023 Book Value (Net of Provisions)	March 31, 2022 Market Value / Break up or fair value or NAV	March 31, 2022 Book Value (Net of Provisions)
1	Related Parties**				
	(a) Subsidiaries	-	-	-	-
	(b) Companies in the same group	-	-	-	-
	(c) Other related parties	-	-	-	-
2	Other than related parties*	-	-	19.27	19.27
	Total	0.00	0.00	19.27	19.27

* Investment in MF scheme of HSBC group.
** As per IND AS notified by Company Act, 2013

7. Other information

	Particulars	March 31, 2023 Amount	March 31, 2022 Amount
(i)	Gross Non-Performing Assets		
	(a) Related Parties	-	-
	(b) Other than Related Parties	-	-
(ii)	Net Non-Performing Assets		
	(a) Related Parties	-	-
	(b) Other than Related Parties	-	-
(iii)	Assets acquired in satisfaction of debts	-	-

Notes:
1. As defined in point xix of paragraph 3 of Chapter -2 of these Directions.
2. Provisioning norms shall be applicable as prescribed in these Directions.
3. All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up / fair value / NAV in respect of unquoted investments shall be disclosed irrespective of whether they are classified as long term or current in (5) above.

22. Movement of Non Performing Assets (NPAs):

Particulars		March 31, 2023	March 31, 2022
(a)	Net NPAs to Net Advances (%)		
(b)	Movement of NPAs (Gross)	-	-
	(i) Opening balance	-	-
	(ii) Additions during the year	-	-
	(iii) Reductions during the year	-	-
	(iv) Closing balance	-	-
(c)	Movement of Net NPAs	-	-
	(i) Opening balance	-	-
	(ii) Additions during the year	-	-
	(iii) Reductions during the year	-	-
	(iv) Closing balance	-	-
(d)	Movement of provisions for NPAs (excluding provisions on standard assets)	-	-
	(i) Opening balance	-	-
	(ii) Provisions made during the year	-	-
	(iii) (Write-off) / write-back	-	-
	(iv) Closing balance	-	-

23. Related Party disclosure

Related Party	Parent (as per ownership or control)		Subsidiaries		Associates/ Joint		Key Management		Relatives of Key		Others*		Total	
Items	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
Borrowings*	1,850,000	1,620,000	-	-	-	-	-	-	-	-	-	-	1,850,000	1,620,000
Deposits*	-	-	-	-	-	-	-	-	-	-	6,998	6,998	6,998	6,998
Placement of deposits*	-	-	-	-			-	-	-	-	-	-	-	-
Advances*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments*	-	-	-	-	-	-	-	-	-	-	17,057	17,057	17,057	17,057
Purchase of fixed/other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of fixed/other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest paid	110,784	99,101	-	-	-	-	-	-	-	-	-	-	110,784	99,101
Interest received	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	10,196	12,301	10,196	12,301
Margin deposit placed	-	-	-	-	-	-	-	-	-	-	135,900	38,100	135,900	38,100
Margin deposit refunded	-	-	-	-	-	-	-	-	-	-	135,900	40,600	135,900	40,600
Others*	-	-	-	-	-	-	-	575	-	-	5,336	5,433	5,336	6,008

The outstanding at the year end and the maximum during the year are to be disclosed
* Specify item if total for the item is more than 5 per cent of total related party transactions. Related parties would include trusts and other bodies in which the NBFC can directly or indirectly (through its related parties) exert control or significant influence

24. The Company has no default in compliance with the requirements of Companies Act, 2013. However, during the FY 2022-2023, the Company had filed for satisfaction of four charges against the Company with a delay. The Ministry of Corporate Affairs (MCA) has condone the delay in satisfaction of the said charges with a payment of INR 1,15,000 for each charge, amounting to INR 4,60,000. The Company has filed the Order of condonation with the MCA for the said satisfaction, however due to migration of MCA portal from version 2 to version 3, the satisfaction status of charges is awaited to be reflected on the portal.

25. The Company has no penalties or stricture imposed by the Reserve Bank of India.

26. In accordance with RBI Notification No. DNBS.CC.PD.No. 365/03.10.01/2013-14 dated January 8, 2014, the Company has not lent against gold jewellery during the year ended 31 March 2023 (Previous year: Rs. Nil)

27. Information on instances of fraud:
No instances of fraud observed in current and previous year

28. The Company does not have any restructured accounts.

29. The Company does not have any Off-balance sheet SPVs sponsored.

30. During the current as well as previous year, the Company has not postponed revenue recognition on account of pending uncertainties.

31. The Company does not have any overseas joint venture / subsidiary.

32. Remuneration of Directors:
There is no pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company, other than director sitting fees as disclosed in note 26.

33. Ind AS 110 - Consolidated Financial Statements (CFS):
The Company does not have any subsidiary and hence no consolidated financial statements required to be prepared under Ind AS 110.

34. Covenant Breach
The Company does not have any breach in Covenants.

35. Divergence of Loans - Not Applicable

Price Waterhouse Chartered Accountants LLP
LLPIN AAC-5001
Chartered Accountants
FRN 012754N
Mumbai

HSBC InvestDirect Financial Services (India) Limited
Mumbai

HSBC InvestDirect Financial Services (India) Limited
Notes to financial statements for the year ended March 31, 2023 (Contd.)

(Amount in Rs. crore)

41 Public disclosure on liquidity risk

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

As at March 31, 2023

Sr. No.	Number of siginficant counterparties	Amount (INR Crore)	% of Total Deposit	% of Total Liabilities *
1	Commercial Paper	381	NA	55.2%
2	Loan from holding Company	185	NA	26.8%
3	Borrowing from banks	123	NA	17.7%

As at March 31, 2022

Sr. No.	Number of siginficant counterparties	Amount (INR Crore)	% of Total Deposit	% of Total Liabilities *
1	Commercial Paper	282	NA	63.2%
2	Loan from holding Company	162	NA	36.4%
3	Borrowing from banks	-	NA	0.0%

(ii) Top 20 large deposits (amount in ₹ crore and % of total deposits) - Not Applicable

(iii) Top 10 borrowings (amount in ₹ crore and % of total borrowings)

		As at March 31, 2023		As at March 31, 2022	
Sr. No.	Type of Borrowing	Amount (INR Crore)	% of borrowings	Amount	% of borrowings
1	Commercial paper	381	55.4%	282	63.5%
2	Loan from holding Company	185	27.0%	162	36.6%
3	Borrowing from banks	123	17.8%	-	0.0%
	Total	689	100%	444	100%

(iv) Funding Concentration based on significant instrument/product

		As at March 31, 2023		As at March 31, 2022	
Sr. No.	Number of Instument / product	Amount (INR Crore)	% of Total Liabilities *	Amount (INR Crore)	% of Total Liabilities *
1	Commercial paper	381	55.2%	282	63.2%
2	Loan from holding Company	185	26.8%	162	36.4%
3	Borrowing from banks	123	17.7%	-	0.0%

(v) Stock Ratios:

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
1	Commercial Paper To Total Public Funds	NA	NA
2	Commercial Paper To Total Liabilities*	55.2%	63.2%
3	Commercial Paper To Total Assets	31.6%	30.1%
4	NCD (original maturity < 1 year) To Total Public Funds	NA	NA
5	NCD (original maturity < 1 year) To Total Liabilities*	NA	NA
6	NCD (original maturity < 1 year) To Total Assets	NA	NA
7	Other short-term liabilities To Total Public Funds	NA	NA
8	Other short-term liabilities To Total Liabilities*	18.0%	0.4%
9	Other short-term liabilities To Total Assets	10.3%	0.2%

(vi) Institutional set-up for liquidity risk management
HSBC InvestDirect Financial Services (India) Limited has Board approved policy for managing its liquidity risk. The Liquidity risk would be monitored in Asset Liability Management Committee / Risk Management Committee on a monthly basis.

* Total Liabilities is excluding Equity and Reserves.

In terms of our report for even date.

For Price Waterhouse Chartered Accountants LLP
Firm's Registration No: 012754N/N500016

Russell I Parera
Partner
Membership No: 042190

Mumbai
May 25, 2023

For and on behalf of the Board of Directors
HSBC InvestDirect Financial Services (India) Limited

Berlin Varghese
Managing Director
(DIN 10059070)

Roopa Varma
Chairperson
(DIN: 09779388)

Sunita Sarda
Chief Financial Officer
M.No. 128484

Sneha Doshi
Company Secretary
M.No. ACS 18001

Mumbai
May 25, 2023