

BOARD OF DIRECTORS

Mr. Hardeep Singh - Chairman
Mr. Manasije Mishra - Managing Director & CEO
Dr. Ajay Dua
Ms. Naina Lal Kidwai
Ms. Louisa Cheang
Ms. Sonal Dave
Mr. Kapil Seth
Mr. Prachetas Raykar
Mr. Shantanu Ambedkar

HEAD – COMPLIANCE & OPERATIONAL RISK MANAGEMENT

Ms. Kashmira Mathew - Company Secretary

REGISTERED OFFICE

Dhana Singh Processor Premises
J. B. Nagar, Andheri- Kurla Road
Andheri (East), Mumbai 400059

AUDITORS

M/s. B S R and Company
Chartered Accountants
Lodha Excelus, Apollo Mills Compound
N.M. Joshi Marg, Mahalaxmi
Mumbai - 400 011, India

REGISTRARS AND SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
17-24, Vittal Rao Nagar
Madhapur, Hyderabad – 500 081

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Axis Bank Limited
HDFC Bank Limited
ICICI Bank Limited
Kotak Mahindra Bank Limited
Standard Chartered Bank
State Bank of India

CONTENTS

Directors' Report.....	3
Auditors' Report.....	9
Balance Sheet.....	12
Profit and Loss Account.....	13
Cash Flow Statement	14
Schedules	16
Balance Sheet Abstract and Company's General Business Profile.....	36
Consolidated Financial Information	
Consolidated Balance Sheet.....	38
Consolidated Profit and Loss Account.....	39
Consolidated Cash Flow Statement	40
Schedules	42
Financial Highlights of Subsidiaries.....	68

Directors' Report

The Shareholders

HSBC InvestDirect (India) Limited

The Directors of your Company present the Fourteenth Annual Report along with the Audited Accounts for the financial year ended March 31, 2011.

FINANCIAL RESULTS

Performance of your Company during the financial year 2010-11 is summarized below:

(Rupees in Mn.)

Particulars	For the year ended 31.03.2011	For the year ended 31.03.2010
Total Income	164.95	145.06
Profit before interest, depreciation, amortization, prior period items and taxation	104.51	(27.09)
Interest and Finance charges	0.01	0.01
Depreciation / Amortization	15.06	11.73
Loss before prior period items and Taxation	89.44	(38.83)
Prior Period Credit	-	86.71
Profit before Taxation	89.44	47.88
Provision for Tax (including Current, Deferred and Fringe Benefit Tax)	53.70	62.80
Profit / (Loss) after Tax	35.74	(14.92)

The consolidated financial performance of your Company along with its subsidiaries for the financial year 2010-11 is summarized below:

(Rupees in Mn.)

Particulars	For the year ended 31.03.2011	For the year ended 31.03.2010
Total Income	1,639.64	1,740.02
Loss before interest, depreciation, amortization, prior period items and taxation	(50.01)	(365.35)
Interest and Finance Charges	172.36	65.13
Depreciation / Amortization	224.04	230.34
Loss before Prior Period Items and Tax	(446.41)	(660.82)
Prior Period Credit	-	89.83
Loss Before Tax	(446.41)	(570.99)
Provision for Tax (including Current, Deferred and Fringe Benefit Tax)	54.63	106.10
Loss after Tax	(501.04)	(677.09)

DIVIDEND

In the absence of adequate profits, Directors are unable to recommend dividend for the financial year 2010-11.

OPERATIONS & OUTLOOK FOR THE CURRENT YEAR

During the financial year under review, your Company through its Subsidiaries and Associate offered a comprehensive range of value-added products and services backed by a professional service orientation for retail and corporate customers. The business activities undertaken by your Company through its subsidiaries and associate include (i) Securities Broking; (ii)

Directors' Report

Securities related financing (NBFC) (iii) Depository Participant Services (iv) Distribution of wealth management products (i.e. mutual funds and insurance) and (v) distribution of home loan products.

During the financial year 2010-11, your Company has focused on the following key initiatives:

Technology

Your Company's management understands the criticality of Technology in view of the business of underlying companies and has invested considerable time and effort in improving customer experience by using best of technology, people and processes.

The Broking and Depository systems were strengthened by improving centralized online Risk monitoring capability to monitor the client margin levels and to ensure a smooth 3-way seamless transaction facility to clients between Trading, Demat and Bank Accounts.

Business Continuity and Disaster Recovery is an absolute necessity in current times where businesses are faced with increasing threats of uncertainty. To mitigate this, your Company has configured Disaster Recovery site at Kolkata which ensures that clients do not suffer any downtime in times of disaster affecting the primary setup.

Service Delivery

The key activities of the Service Delivery function include account opening, settlement of trades and funds, customer service, call centre, securities lending operations and distribution operations. The function is responsible for the overall customer experience. The function has led to the sharing and propagation of best practices from diverse operation units and allowing for a controlled setup focused on ensuring a superlative customer experience.

During the year under review, the following initiatives were undertaken by the Service Delivery function:

- Introduction of in-house facility to support Investsmart Financial Services Limited's lending operations and enhancing the customer experience.
- Centralization / automation of regional operation activities of HSBC InvestDirect Securities (India) Limited.
- Consolidation of various processing units leading to reduction in cost.
- Growing the online business through the creation of virtual relationship managers allowing for a high standard of client engagement and service.

Human Resources (HR)

During the year under review, the focus areas for HR were people capability development and two-way communication between staff and senior leadership. Growth and Development was a priority area and your organisation had an average learning penetration of 5 learning days per employee in the financial year 2010 - 2011. Through the launch of the Group Learning Management System in 2010, there would be an increased focus on e-learning based on the external market approach to learning and development.

A Job Realignment exercise for your organisation had commenced in May 2011 for all functions across the organisation. This was done to enable changes on account of consolidation/ mergers for those businesses where the realignments were done. The job roles were revisited and Job Descriptions along with organisation structures were modified and recorded in the system.

SUBSIDIARIES AND ASSOCIATE COMPANIES

Investsmart Financial Services Limited (IFSL)

During the year under review, IFSL made a net profit of Rs. 81.51 Mn and has been successful in increasing its asset book to Rs. 5,007.69 Mn. as on March 31, 2011 from Rs. 3,301.32 Mn. as on March 31, 2010.

IFSL has continued its focus on building a vibrant retail NBFC business and has realigned the NBFC operations with its renewed retail focus. IFSL has defined a revised retail organization structure to enable growth in the Asset Business and as

Directors' Report

a conscious strategy to build the retail asset portfolio; emphasis was given to build the Loan against Shares/ Mutual Funds book growth.

HSBC InvestDirect Securities (India) Limited (HISL)

During the financial year 2010–11, the gross income from operations of HISL reduced to Rs. 986 Mn. as compared to Rs. 1214 Mn. in the previous year and HISL incurred a loss before prior period items and tax of Rs. 595 Mn. for the year ended March 31, 2011 as compared to Rs. 492 Mn. incurred in the previous year.

Revenues earned from Equity broking reduced by 13% from Rs. 867 Mn. during financial year 2009-10 to Rs. 752 Mn. during the financial year 2010-11 and income earned from distribution of financial products reduced from Rs. 117 Mn. to Rs. 63 Mn. during the same period. The overall revenues from the retail business have fallen by 13% from Rs. 1,114 Mn. to Rs. 975 Mn. HISL opened 17,677 new Trading accounts during the year taking the total customers base to 1,57,286 and also opened 11,050 Depository Participant accounts during the same period.

In order to develop centre of excellence in dealing, improved client engagement & providing segmented services, HISL has set up 10 Central Dealing Rooms (CDRs) across the country. In order to pilot the transition from a monoline retail broker to a preferred wealth management service provider for premium customers, HISL has set up 3 “LITE” Branches in Mumbai. The LITE branch is a branch with no dealing set up and is a sales outlet which will focus on customer acquisition, sales of wealth products, sales & referrals of NBFC products, Mortgages.

HSBC InvestDirect Distribution Services (India) Limited (HIDSL)

During the financial year under review, HIDSL posted a net profit of Rs. 1.91 Mn. as on March 31, 2011 as compared to Rs. 1.99 Mn. as on March 31, 2010.

During the year under review, the main objects of HIDSL were amended to commence the business of distribution of third party financial products and to act as an Authorised Person of HSBC InvestDirect Securities (India) Limited, a fellow subsidiary and a member of Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

HIDSL was marketing and distributing financial products of HSBC InvestDirect Securities (India) Limited and Investsmart Financial Services Limited, fellow subsidiaries of HIDSL.

With a view to align the business with the long term strategy of HSBC InvestDirect, HIDSL has surrendered the Authorised Person Licence and reviewing its new business plan.

HSBC InvestDirect Academy for Insurance and Finance (India) Limited (HIAIFL)

During the financial year under review, HIAIFL incurred a net profit of Rs. 1.77 Mn. for the year ended March 31, 2011 as compared to net loss of Rs. 0.12 Mn. in the previous year.

The Management is looking at various business strategies or options available to decide on the future course of action for HIAIFL.

IL&FS Investsmart Asia Pacific Private Limited, Singapore (IIAPPL)

Post surrender of Capital Markets Service Licence (CMS Licence) obtained from Monetary Authority of Singapore (MAS), IIAPPL is not undertaking any operations and there are no employees in IIAPPL.

IIAPPL has initiated the process for reduction of Equity Share Capital as it proposes to strike off the Company from Accounting and Corporate Regulatory Authority of Singapore (ACRA) in due course.

HSBC InvestDirect Sales & Marketing (India) Limited (HISML)

During the financial year under review, HISML incurred a net profit of Rs. 9.73 Mn. as on March 31, 2011 as compared to loss of Rs. 43.67 Mn. as on March 31, 2010.

Directors' Report

HISML was licensed as an insurance broker by the Insurance Regulatory and Development Authority ("IRDA"). With a view to align the business with the long term strategy of HSBC InvestDirect, HISML surrendered its Insurance Broker Licence to IRDA and the same was cancelled by IRDA w.e.f. May 14, 2010.

Post surrender of the Insurance Broker licence, the main objects of HISML was amended to commence the business of distribution of mortgage, home loan products and other third party products. Currently, HISML is into the distribution of home loan products of The Hongkong and Shanghai Banking Corporation Limited, India.

DELISTING OF YOUR COMPANY

The equity shares of HSBC InvestDirect (India) Limited were delisted from the Stock Exchanges with effect from July 15, 2010. Post delisting, HSBC Securities and Capital Markets (India) Private Limited (HSCI), the Acquirer had sent a communication to all the public shareholders intimating the process for tendering their shares in the exit window. As per the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, the exit window was kept open for a period of one year from the date of delisting (i.e. upto July 15, 2011).

Post closure of the exit window, the Acquirers have advised that they do not intend to accept any further shares from the remaining public shareholders. However, in case the Acquirers decide to accept further shares, the same would be intimated to the shareholders.

As on August 12, 2011, your Company has approximately 4,651 public shareholders holding approximately 310,913 equity shares constituting 0.44% of the paid up capital, who have not tendered their shares under the said Offer.

DIRECTORS

The Board of Directors of your Company appointed Mr. Kapil Seth, Mr. Prachetas Raykar and Mr. Shantanu Ambedkar as Additional Directors of the Company with effect from August 16, 2011. Mr. Seth, Mr. Raykar and Mr. Ambedkar hold the office of Director upto the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956, the Company has received three notices in writing from a Member proposing their candidatures for the office of Director along with deposit of Rs. 500/- for each proposal.

Pursuant to provisions of the Companies Act, 1956, Mr. Hardeep Singh and Ms. Sonal Dave, Directors of your Company, retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

The required resolutions re-appointing the above Directors at the forthcoming Annual General Meeting are included in the Notice of the said Annual General Meeting.

AUDIT COMMITTEE

As per Section 292A of the Companies Act, 1956, your Company has constituted Audit Committee to review the financial statements of the Company and perform other functions as empowered by the Board, from time to time. Presently, the members of the Audit Committee are Mr. Hardeep Singh, Dr. Ajay Dua, Ms. Sonal Dave, Mr. Kapil Seth and Mr. Prachetas Raykar.

AUDITORS

The retiring auditors, namely, M/s. B S R and Company, Chartered Accountants, Mumbai hold office until the conclusion of the ensuing Annual General Meeting and are seeking their re-appointment. Members are requested to consider their appointment and authorise the Board of Directors to fix their remuneration for the financial year 2011-12.

TRANSFER OF UNPAID/ UNCLAIMED DIVIDEND

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the amount of dividend which remain unclaimed or unpaid for a period of seven years from the date of transfer of such amount to the Unpaid Dividend Account opened in pursuance of sub-section (1) of the said section, is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. Accordingly, the Company has transferred Rs. 9,750/- being unclaimed dividend for the financial year 2003-04 to IEPF on August 10, 2011.

Directors' Report

FIXED DEPOSITS

Your Company has not accepted any deposits from the public or employees during the year under review.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are set out in the Annexure and forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 as amended, the Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

- (1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (2) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of your Company for that period;
- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (4) The Directors have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORT & FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars of foreign exchange earnings and expenditure/outgo is provided under Item 5 of Schedule 13 (Page no. 26) in the Notes to the Accounts. Since your Company does not own any manufacturing facility, the Statement giving details of conservation of energy and technology absorption in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not applicable.

FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

The Ministry of Corporate Affairs vide circular dated February 8, 2011 has granted general exemption to all companies from attaching the Balance Sheet and Profit and Loss Account of its subsidiaries to its Annual Report, provided certain conditions are fulfilled.

In view of the above, the Balance Sheet and Profit and Loss Account of the subsidiary Companies are not attached to the Annual Report. However, the accounts of the subsidiaries will be made available for inspection to any Member of the Company at its registered office and also at the registered office of the respective subsidiaries and a copy of the same will also be made available to the Members on receipt of a request from them. The financial information of subsidiary companies is disclosed along with the consolidated financial statements. In accordance with the aforesaid circular, the consolidated financial statements of your Company together with its subsidiaries are annexed to the Annual Report.

ACKNOWLEDGEMENTS

Your Company maintained cordial relationships with Securities and Exchange Board of India, Reserve Bank of India, National Stock Exchange of India Limited, Bombay Stock Exchange Limited, National Securities Depository Limited, Central Depository Services (India) Limited, Insurance Regulatory and Development Authority, other Regulatory Authorities, Financial Institutions, Banks and Customers during the year under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement.

For and on behalf of the Board of Directors

Place : Mumbai
Date : August 16, 2011

Hardeep Singh
Chairman

Directors' Report

ANNEXURE TO THE DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provision of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2011

Sr. No.	Name	Designation & nature of duties	Qualification	Total Experience (Years)	Age yrs	Date of commencement of Employment	Remuneration received (Gross) (Rupees)	Last Employment held
1	Simon Larsen *	Chief Technology and Services Officer	M.A. M. Engg. Cambridge University	13.00	36	20-Apr-09	13,168,649	HSBC Insurance (Asia pacific), Hong Kong
2	Sandeep Nayak *	Head-Retail Broking & Wealth Management	Grad CWA+ACA+B Com	16.56	41	4-Jan-10	12,022,868	Kotak Securities Limited
3	Ankush Tandon *	Head - Distribution	BE (Computer) + MBA (Marketing)	16.00	38	15-Feb-11	882,510	The Hongkong and Shanghai Banking Corporation Limited
4	Vipul Malkan	Head - Credit Risk	CA+BCOM	15.77	35	5-May-09	6,422,968	JM Financial Services Pvt Limited

Notes :

- Gross Remuneration includes salary, allowances & Company's contribution to Provident Fund, Family Pension Fund, Superannuation Fund and contribution to Gratuity Fund.
- The nature of employment in all cases is contractual and are as per Company's Rules.
- Employees marked * were employed for part of the year.

Auditors' Report

Auditors' Report

To the Members of

HSBC InvestDirect (India) Limited

We have audited the attached balance sheet of HSBC InvestDirect (India) Limited ('the Company') as at 31 March 2011, and the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 and amendments thereto (together referred to as 'the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of the audit;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
- (v) on the basis of written representations received from the Directors, as on 31 March 2011, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of Act;
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2011;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For B S R and Company

Chartered Accountants

Firm's Registration No: 128900W

Mumbai,
15 June 2011

N. Sampath Ganesh

Partner

Membership No: 042554