
Ms. Naina Lal Kidwai - Chairperson
Mr. Sanjay Nair - Managing Director & CEO
Mr. Gannesh Bharadhwaj
Ms. Sonal Dave
Mr. Saurav Saha
Mr. Sanjay Bajaj

COMPANY SECRETARY

Ms. Sneha Doshi

REGISTERED OFFICE

Shiv Building, Plot No. 139, 140B, 1st Floor
Western Express Highway, Sahar Junction
Vile Parle (East), Mumbai 400057

AUDITORS

M/s. B S R and Company
Chartered Accountants
KPMG, 5th Floor, Lodha Excelus
Apollo Mills Compound, NM Joshi Marg
Mahalaxmi, Mumbai - 400011

REGISTRARS AND SHARE TRANSFER AGENTS

Karvy Computershare Private Limited
17-24, Vittal Rao Nagar
Madhapur, Hyderabad – 500 081

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Axis Bank Limited
HDFC Bank Limited

Directors' Report

CONTENTS

Directors' Report.....	3
Auditors' Report.....	9
Balance Sheet.....	12
Statement of Profit and Loss	13
Cash Flow Statement	14
Notes to the Financial Statements.....	16
Consolidated Financial Information	
Auditors' Report on Consolidated Financial Statements	37
Consolidated Balance Sheet.....	38
Consolidated Statement of Profit and Loss.....	39
Consolidated Cash Flow Statement	40
Notes to the Consolidated Financial Statements.....	42
Financial Highlights of Subsidiaries.....	69

Directors' Report

The Shareholders

HSBC InvestDirect (India) Limited

The Directors of your Company present the Fifteenth Annual Report along with the Audited Accounts for the financial year ended March 31, 2012.

FINANCIAL RESULTS

Performance of your Company during the financial year 2011-12 is summarized below:

(Rupees in Mn.)

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Total Income	380.01	164.95
Total Expenses	183.53	75.51
Profit before Tax	196.48	89.44
Provision for Tax (including Current, Deferred and Fringe Benefit Tax)	4.28	53.70
Profit after Tax	192.20	35.74

The consolidated financial performance of your Company along with its subsidiaries for the financial year 2011-12 is summarized below:

(Rupees in Mn.)

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Total Income	1,387.91	1,627.73
Total Expenses	1,830.00	2,074.14
Loss before Tax	(442.09)	(446.41)
Provision for Tax (including Current, Deferred and Fringe Benefit Tax)	6.59	54.63
Loss after Tax	(448.68)	(501.04)

DIVIDEND

In the absence of adequate profits, Directors are unable to recommend dividend for the financial year 2011-12.

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) 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 2011-12, 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 to improve cost effectiveness with the rollout of managed print services, demise of legacy applications, one stop shop for account opening of trading and DP customers, thus improving the office infrastructure and enhancing the quality of the services through an environmental friendly way.

Service Delivery

The key activities of the Service Delivery function include account opening, settlement of trades and funds, securities

Directors' Report

lending operations and distribution operations. The function has led to the sharing and propagation of best practices from diverse operation units and allowing a controlled setup focused on ensuring a best-in-class customer experience.

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

- Automation in areas relating to Security payouts through 'Speed-E', balance confirmation through digital mode
- Enhanced customer experience by processing the funds payouts through electronic modes
- Streamlining the entire operations activity of Investsmart Financial Services Limited resulting in better TATs
- Consolidation of various processing units leading to reduction in cost
- Consolidation of DP and Broking Account Opening process for enhanced customer experience

SUBSIDIARIES AND ASSOCIATE COMPANIES

Investsmart Financial Services Limited (IFSL)

During the year under review, IFSL made a net profit of Rs. 169.88 Mn. as against net profit of Rs. 81.51 Mn. in corresponding previous year.

As on March 31, 2012, IFSL was successful in increasing its loan asset book to Rs. 5,847.59 Mn. from Rs. 4,914.37 Mn as on March 31, 2011. Due to increase in loan asset book, revenue earned during the year from lending activities increased by 21.9% to Rs. 633.83 Mn. as against Rs. 519.90 Mn in corresponding previous year.

During the year under review, IFSL declared maiden interim dividend of Rs. 1.75 per equity share amounting to Rs. 256 Mn.

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 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 2011-12, HISL incurred net loss of Rs. 544 Mn. as against Rs. 595 Mn. incurred in the previous year.

Revenues earned from Equity broking reduced by 35% from Rs. 719.5 Mn. during financial year 2010-11 to Rs. 468.9 Mn. during the financial year 2011-12 and income earned from distribution of financial products increased by 5% from Rs. 60 Mn. to Rs. 63 Mn. during the current year. The overall revenues from operations of business have fallen by 34% from Rs. 1,003 Mn to Rs. 665 Mn.

HISL opened 17,677 new client broking 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 loss of Rs. 21.47 lakhs as on March 31, 2012 as compared to profit Rs. 19.12 Lakhs as on March 31, 2011.

With a view to align the business with the long term strategy of HSBC InvestDirect, HIDSL has surrendered the Authorised Person Licence and the Management is looking at various business strategies or options available to decide on the future course of action for HIDSL.

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

During the financial year under review, HIAIFL incurred a net profit of Rs. 16.67 Lakhs for the year ended March 31, 2012 as compared to net profit of Rs. 17.71 Lakhs in the previous year.

Directors' Report

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 had filed an application with Accounting and Corporate Regulatory Authority (ACRA), Singapore on November 30, 2011 to strike off its name from the Register of Companies, ACRA. In this regard, notice was published in the Government Gazette on May 11, 2012 stating that the name of IIAPPL was struck off from the Register of Companies of ACRA with effect from May 9, 2012. It may be noted that, the Court however, may on application by any person who feels aggrieved by the name of the company having been struck off the Register, if satisfied, may restore the name of the Company to the Register. Such application to Court would be allowed to be made at anytime within 15 years after the name of the company has been struck off.

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

During the financial year under review, HISML made net profit of Rs.42 Mn. as against net profit of Rs. 9.73 Mn. in previous year.

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. HISML was into the business of distribution of home loan products of The Hongkong and Shanghai Banking Corporation Limited (HSBC), India upto June 30, 2012 and the business has been transferred to HSBC, India w.e.f. July 1, 2012.

DELISTING OF YOUR COMPANY

The equity shares of your Company 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 July 13, 2012, your Company has approximately 4,651 public shareholders holding approximately 324,914 equity shares constituting 0.45% of the paid up capital, who have not tendered their shares under the said Offer.

DIRECTORS

During the year under review, Mr. Hardeep Singh, Dr. Ajay Dua, Mr. Kapil Seth and Mr. Shantanu Ambedkar resigned as Directors of the Company w.e.f. close of business hours on November 15, 2011. Further, Ms. Louisa Cheang resigned as a Director the Company w.e.f. close of business hours on November 16, 2011 and Mr. Manasije Mishra resigned as Managing Director & CEO (MD& CEO) of the Company w.e.f. close of business hours on November 27, 2011. Mr. Prachetas Raykar resigned as a Director of the Company w.e.f. close of business hours on June 22, 2012.

The Board placed on record their sincere appreciation for the contributions made by the above Directors during their tenure.

The Board of Directors of your Company appointed Mr. Sanjay Bajaj and Mr. Gannesh Bharadhwaj as Additional Directors of the Company with effect from November 14, 2011 and November 16, 2011, respectively. Further, Mr. Saurav Saha was appointed as an Additional Director of the Company w.e.f. June 22, 2012. Mr. Bharadhwaj, Mr. Bajaj and Mr. Saha 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

Directors' Report

Director along with deposit of Rs. 500/- for each proposal. Mr. Sanjay Nair was appointed as MD & CEO of the Company on November 28, 2011 for a period of three years.

Pursuant to provisions of the Companies Act, 1956, Ms. Naina Lal Kidwai, Director of your Company, retire by rotation at the ensuing Annual General Meeting and being eligible, has offered herself 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 Ms. Sonal Dave, Mr. Sanjay Bajaj and Mr. Saurav Saha

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 2012-13.

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 is in the process of transferring Rs. 6624.75 being unclaimed dividend for the financial year 2004-05 to IEPF.

Further, in terms of sub-section (2) of section 205C of the Act, all the application monies received by the Company for allotment of any securities and due for refund and have remained unclaimed and unpaid for a period of seven years from the date they became due for repayment shall be transferred to IEPF established under Section 205C of the Act. The Company had allotted Equity shares to Public shareholders on July 21, 2005 under Initial Public Offer and the Company is in the process of transferring the unclaimed share application amount to IEPF.

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.

Directors' Report

CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION, EXPORT & FOREIGN EARNING AND OUTGO

The particulars of foreign exchange earnings and expenditure/outgo is provided under Note 21.5 (Page no. 28) 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, BSE 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

Naina Lal Kidwai
Chairperson

Place : Mumbai
Date : July 13, 2012

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, 2012

Sr. No.	Name	Designation & nature of duties	Qualification	Total Experience (Years)	Age (Years)	Date of commencement of Employment	Remuneration received (Gross) (Rupees)	Last Employment held
1	Ankush Tandon	Head - Distribution	BE (Computer) + MBA (Marketing)	17	40	15-Feb-11	8,960,204	The Hongkong and Shanghai Banking Corporation Limited
2	Vipul Malkan	Chief Risk Officer	CA+BCOM	17	37	5-May-09	9,866,675	JM Financial Services Private Ltd
3	Shailesh S Karkera	SVP & Head - Centralised Dealing	Graduate in Economics, Dip. in Financial Management	19	39	16-Jan-04	7,767,696	Motilal Oswal Securities Limited

Notes :

- 1 Gross Remuneration includes salary, taxable allowances & Company's contribution to Provident Fund, Family Pension Fund, etc.
- 2 The nature of employment in all cases is contractual and are as per Company's Rules.
- 3 None of the above employees are related to any Director of the Company.

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 2012, and the statement of profit and loss 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the balance sheet, statement of profit and loss 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 2012, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March 2012 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 2012;
 - (b) in the case of the statement of profit and loss, 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

N Sampath Ganesh

Partner

Membership No: 042554

Mumbai

13 July 2012