

Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To
The Board of Directors
HSBC InvestDirect Financial Services (India) Limited,
9-11 Floors, NESCO IT Park,
Building No. 3, Western Express Highway,
Goregaon (East),
Mumbai – 400 063

Report on the Audit of the Financial Results

Opinion

1. We have audited the accompanying financial results of HSBC InvestDirect Financial Services (India) Limited (hereinafter referred to as “the NBFC”) for the year ended March 31, 2022, attached herewith, the Statement of Assets and Liabilities as on that date and the Statement of Cash Flows for the year ended on that date (the “Financial Results”) which are included in the accompanying Statement of Financial Results (the “Statement”), being submitted by the NBFC pursuant to the requirement of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “Listing Regulations”).
2. In our opinion and to the best of our information and according to the explanations given to us, the Financial Results:
 - i. are presented in accordance with the requirements of Regulation 52 of the Listing Regulations in this regard; and
 - ii. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable accounting standards prescribed under Section 133 of the Companies Act, 2013, the Reserve Bank of India (RBI) guidelines and other accounting principles generally accepted in India, of the net profit and other comprehensive income and other financial information for the year ended March 31, 2022 and also the Statement of Assets and Liabilities as at March 31, 2022 and the Statement of Cash Flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Companies Act, 2013 (the Act) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India (“ICAI”). Our responsibilities under those Standards are further described in the ‘Auditor’s Responsibilities for the Audit of the Financial Results’ section of our report. We are independent of the NBFC in accordance with the Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of the Financial Results, 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.

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

Registered office and Head office: Sucheta Bhawan, 11A Vishnu Digambar Marg, New Delhi 110 002
Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LUPIN AAC-5001) with effect from July 25, 2014. Post its Conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/N500016 (ICAI registration number before conversion was 012754N)

Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on Audited Results

Board of Directors' Responsibilities for the Financial Results

4. These Financial Results have been compiled from the financial statements. The NBFC's Board of Directors are responsible for the preparation of these Financial Results that give a true and fair view of the net profit and other comprehensive income and other financial information, the Statement of Assets and Liabilities and the Statement of Cash Flows in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India ("RBI") from time to time ("RBI Guidelines") and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the NBFC 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 Results that give a true and fair view and are free from material misstatement, whether due to fraud or error.
5. In preparing the Financial Results, the Board of Directors are responsible for assessing the NBFC'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 the Board of Directors either intends to liquidate the NBFC or to cease operations, or has no realistic alternative but to do so.
6. The Board of Directors are also responsible for overseeing the NBFC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Results

7. Our objectives are to obtain reasonable assurance about whether the Financial Results 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 Results.
8. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial results, 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 NBFC 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 the Board of Directors.

Price Waterhouse Chartered Accountants LLP

To the Members of HSBC InvestDirect Financial Services (India) Limited
Report on Audited Results

- Conclude on the appropriateness of the Board of Directors' 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 NBFC'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 results or, if such 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 NBFC to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the Financial Results, including the disclosures, and whether the financial results 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.

Other Matter

11. The Annual Financial Results include the results for the quarter ended March 31, 2022 being the balancing figures between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year, which are neither subject to limited review nor audited by us.
12. The Annual Financial Results dealt with by this report have been prepared for the express purpose of filing with stock exchange. These results are based on and should be read with the audited financial statements of the NBFC, for the year ended March 31, 2022 on which we have issued an unmodified audit opinion vide our report dated May 30, 2022.

Our opinion on the Financial Results is not modified in respect of above matters

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

Russell I Parera
Partner
Membership Number: 042190

UDIN: 22042190AJVRGT4482
Place: Mumbai
Date: May 30, 2022

HSBC InvestDirect Financial Services (India) Limited
Statement of Financial Results as at and for the year ended March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	Quarter ended			For the year ended	
	31-03-2022* (Unaudited)	31-12-2021 (Unaudited)	31-03-2021 (Unaudited)	31-03-2022 (Audited)	31-03-2021 (Audited)
Revenue from operations					
Interest income	119,477	99,431	108,252	416,123	460,329
Reversal of impairment on financial assets	-	-	-	-	5
Net gain on fair value changes	2,769	5,316	2,919	17,304	30,187
Total revenue from operations	122,246	104,747	111,171	433,427	490,521
Other income	16,261	2	2	16,286	8
Total income	138,507	104,749	111,173	449,713	490,529
Expenses					
Finance costs	39,847	26,414	33,685	121,878	160,908
Impairment on financial assets	277	109	38	261	-
Employee benefits expenses	13,320	10,765	9,531	44,112	40,143
Depreciation and amortisation	707	598	219	1,996	1,112
Others expenses	11,668	21,881	18,423	52,262	49,546
Total expenses	65,819	59,767	61,896	220,509	251,709
Profit before tax	72,688	44,982	49,277	229,204	238,820
Income tax expense:					
- Current tax	14,078	13,474	10,998	55,000	60,396
- Deferred tax	464	(1,340)	690	594	350
- (Excess) provision for tax	(18,724)	-	-	(18,724)	-
Total tax expense	(4,182)	12,134	11,688	36,870	60,746
Profit for the period	76,870	32,848	37,589	192,334	178,074
Other comprehensive income					
i) Items that will not be reclassified to profit or loss					
- Remeasurements of post-employment benefit obligations	(606)	105	805	(295)	414
- Changes in the fair value of equity investments at FVOCI	17,057	-	-	17,057	-
ii) Income tax relating to items that will not be reclassified to profit or loss	152	(26)	(202)	74	(104)
Other comprehensive profit/(loss) for the period	16,603	79	603	16,836	310
Total comprehensive income for the period	93,473	32,927	38,192	209,170	178,384
Earnings per equity share (Nominal value of Rs. 10 per share)					
- Basic and Diluted (Rs.)	0.53	0.22	0.26	1.31	1.22

*Refer Note 4

HSBC InvestDirect Financial Services (India) Limited
Statement of Assets and Liabilities as at and for the year ended March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	As at March 31, 2022	As at March 31, 2021
ASSETS		
Financial assets		
Cash and cash equivalents	12,274	1,476
Bank balance other than cash and cash equivalents	403,202	405,313
Loans	8,581,427	5,967,056
Investments	209,799	110,080
Other financial assets	7,148	14,713
Non-financial assets		
Current tax assets (Net)	143,181	152,426
Deferred tax assets (Net)	2,110	2,630
Property, plant and equipment	4,351	3,564
Intangible assets under development	-	3,400
Intangible assets	3,527	-
Other non-financial assets	5,209	3,452
Total assets	9,372,228	6,664,110
LIABILITIES AND EQUITY		
LIABILITIES		
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	10,700	11,463
Debt securities	2,816,565	247,439
Borrowings (other than debt securities)	1,620,000	1,650,847
Other financial liabilities	856	9,638
Non-financial Liabilities		
Current tax liabilities (Net)	-	15,311
Provisions	2,077	17,038
Other non-financial liabilities	3,093	2,607
EQUITY		
Equity share capital	1,462,847	1,462,847
Other equity	3,456,090	3,246,920
Total equity	4,918,937	4,709,767
Total liabilities and equity	9,372,228	6,664,110

HSBC InvestDirect Financial Services (India) Limited
Statement of cash flows for the year ended March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Particulars	March 31, 2022	March 31, 2021
CASH FLOW FROM OPERATING ACTIVITIES :		
Profit before tax:	229,204	238,820
Adjustments :		
Depreciation and amortisation	1,996	1,112
Impairment on financial assets	261	(5)
Interest expense on borrowings	99,101	115,113
Interest paid on borrowings	(99,101)	(115,113)
Interest expense on debt securities	19,860	45,092
Liability no longer required written back	(16,173)	-
Interest income on bank deposits	(19,278)	(21,683)
Unrealised gain on mutual fund	(144)	(42)
Realised gain on mutual fund	(17,160)	(30,145)
Operating profit before working capital changes	198,566	233,149
Adjustments for working capital changes:		
(Increase)/decrease in bank balance other than cash and cash equivalents	511	(555)
(Increase)/decrease in loans	(2,614,632)	52,643
Increase in other financial assets	7,565	140,016
(Increase)/decrease in other non financial assets	(1,757)	377
Adjustments for increase/ (decrease) in operating liabilities		
Trade payables	(763)	2,096
Other financial liabilities	(8,782)	8,844
Provisions	917	(1,185)
Other non financial liabilities	486	(20)
Cash generated from operations	(2,616,455)	202,216
Less : Income taxes paid (net of refunds)	(42,341)	(66,661)
Net cash inflow / (outflow) from operating activities	(2,460,230)	368,704
CASH FLOW FROM INVESTING ACTIVITIES :		
Placement of fixed deposit with bank	(138,400)	(231,600)
Proceeds from fixed deposit with bank	140,000	90,000
Interest income on bank deposits	19,278	21,683
Purchase of property, plant and equipment and intangible assets	(2,909)	(2,787)
Investment in mutual fund	(7,102,500)	(3,339,500)
Redemption of mutual fund	7,037,141	4,738,085
Net cash inflow / (outflow) from investing activities	(47,390)	1,275,881
CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Proceeds from issue of debt securities	3,199,265	1,182,025
Repayment of debt securities	(650,000)	(3,200,000)
Net cash inflow / (outflow) from investing activities	2,549,265	(2,017,975)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	41,645	(373,390)
Add : Cash and cash equivalents at beginning of the year	(29,371)	344,019
Cash and cash equivalents at end of the year	12,274	(29,371)

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, 2022	As at March 31, 2021
Cash and cash equivalents	12,274	1,476
Bank overdrafts	-	(30,847)
Balances as per statement of cash flows	12,274	(29,371)

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.

HSBC InvestDirect Financial Services (India) Limited
Statement of Financial Results as at and for the year ended March 31, 2022

(All amounts in INR thousands, unless otherwise stated)

Notes:

- 1 The above results have been prepared pursuant to the requirement of paragraph 1.2 of Annexure II of circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 (as amended by circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/167 dated December 24, 2019) and circular no. SEBI/HO/DDHS/CIR/2021/0000000637 dated October 05, 2021 issued by the Securities and Exchange Board of India ("SEBI"). The annual financial results have been prepared in accordance with and comply in all material aspect with Indian Accounting Standards (Ind As) notified under section 133 of Companies Act, 2013 ('the ACT') read with the companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other relevant provisions of the Act. The annual financial statements, used to prepare the financial results, are based on the notified Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies that are required to comply with Ind AS.
- 2 The above results have been reviewed and recommended for Board approval by the Audit Committee and approved and taken on record by the Board of Directors at the meeting held on May 30, 2022.
- 3 The spread of COVID-19 has severely impacted businesses around the globe. In many countries, including India, there has been severe disruption to regular business operations but now COVID-19 related situations are in control around the globe and economy is recovering gradually.

The Company is in the business of providing loans against securities and raising monies through borrowings. The Company has made an assessment of its liquidity position applying stress scenarios. The Company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements. The Company has further assessed the recoverability and carrying value of its assets comprising Loans and advances, Investments, fixed assets, other receivables as at balance sheet date, and has concluded that there are no material adjustments required in the financial Statements. However, due to impact of COVID-19 disruptions, the Company will continue to monitor any material changes to future economic conditions.
- 4 The figures for the quarter ended March 31, 2022 are the balancing figures between audited figures for the year ended March 31, 2022 and the unaudited published figures for nine months ended December 31, 2021 which were subject to limited review by the Statutory Auditor.
- 5 The Company is primarily engaged in the business of financing and there are no separate reportable segments identified as per the Ind AS 108 - Segment Reporting.
- 6 Figures for the previous period/year have been regrouped wherever necessary to confirm to current period/year presentation.

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

Shantanu Shankar
Managing Director
(DIN 08054929)

We, Price Waterhouse Chartered Accountants LLP, have signed this statement for identification purposes only and this Statement should be read in conjunction with our report dated May 30, 2022.

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

Russell I Parera
Partner
Membership No: 042190

Mumbai
May 30, 2022